Interim Report on Operations
as of 31 March 2011

Board Meeting
13 May 2011

iren

IREN S.p.A.

Via Nubi di Magellano, 30 - 42123 Reggio Emilia

Share capital EUR 1,276,225,677.00, fully paid up

Reggio Emilia Business and Trade Registry tax ID no. & VAT reg. no. 07129470014

Summary

Iren is a multi-utility company, listed at the Italian Stock Exchange and established on 1 July 2010 as a merger of Iride and Enìa. Iren is active in the following areas: electric power (production, distribution, sale), thermal power for district heating (production, sale), gas (distribution, sale), integrated water services management, environmental services (waste collection and disposal), and services to public administrations.

Iren is structured as an industrial holding; Iren's main corporate offices are in Reggio Emilia, with operational branches in Genoa, Parma, Piacenza, and Turin, as well as other companies in charge of individual business lines. Thanks to its substantial production assets, to its investments, to a leadership established in all business areas and to its territorial penetration, today Iren ranks among the top Italian multi-utility actors.

Iren holding supervises all strategic, development, coordination and control activities, while the five operational companies are in charge of coordination and development of the business lines as follows:

- Iren Acqua Gas - integrated water cycle;
- Iren Energia - electric and thermal power production and technology services;
- Iren Mercato - sales of electric power, gas and district heating;
- Iren Emilia - gas, waste collection, environmental health and management of local services;
- Iren Ambiente - engineering and management of waste treatment and disposal plants, as well as management of heat production plants for district heating on the Emilia territory.

Electric power production: thanks to a consistent pool of production plants of electric and thermal power for district heating, the overall production capability is 7,400 GWh per year, including the portion provided by Edipower.

Gas distribution: with an 8,800 km network, Iren serves over one million Clients;

Electric power distribution: with medium- and low-voltage networks spanning over 7,200 km, the Group distributes electric power to over 710,000 Clients in Turin and Parma.

Integrated water cycle: through a 13,900 km aqueduct network, a 7,868 km sewer network and 813 purification plants, Iren supplies over 2,400,000 residents.

Environmental cycle: with 122 equipped ecological stations, 2 thermal exploitation plants, and 2 disposal sites, the Group serves 111 municipalities with over 1,200,000 residents.

District heating: through dual-pipe underground networks spanning ca. 700 km, the Iren Group supplies heating for an overall volume of over 66 million cubic metres, or equivalently to a population of over 550,000 persons.

Gas, electric and thermal power sales: each year the Group sells over 3.1 billion cubic metres of gas, over 12,000 GWh of electric power and 2,840 GWht of heat into the district heating networks.

IREN GROUP FACTS

2010 pro forma		First quarter 2011	First quarter 2010 pro forma	Change %
	Income statement figures *(million Euros)*			
3,381	Revenue	973	1,012	(3.9)
603	Gross operating profit	205	204	0.8
339	Operating profit	148	144	2.7
290	Profit before taxes	137	127	8.0
186	Consolidated net profit	86	78	9.6
	Balance sheet figures *(million Euros)*	***as of 03/31/2011***	***as of 12/31/2010***	
	Net invested capital	4,528	4,342	4.3
	Equity	2,178	2,082	4.6
	Net financial position	(2,350)	(2,260)	4.0
2010 pro forma	**Financial/economic indicators**	***First quarter 2011***	***First quarter 2010 pro forma***	
17.84%	GOP/Revenue	21.12%	20.13%	
	Debt/Equity	1.08	1.08	
2010 pro forma	**Technical and trading figures**	***First quarter 2011***	***First quarter 2010 pro forma***	
14,567	Electric power sold (GWh)	3,536	4,095	(13.7)
2,754	Electric power produced (GWh_t)	1,235	1,344	(8.1)
66	District heating volume (mil. m^3)	66	63	4.6
3,132	Gas sold (mil. m^3)	1,164	1,321	(11.9)
188	Water distributed (mil. m^3)	46	48	(4.2)
1,005,468	Waste processed (ton)	242,341	234,667	3.3

CORPORATE OFFICES

Board of Directors

President	Roberto Bazzano (1)
Vice President	Luigi Giuseppe Villani (2)
CEO	Roberto Garbati (3)
General Manager	Andrea Viero (4)
Directors	Franco Amato (5)
	Paolo Cantarella (6)
	Gianfranco Carbonato (7)
	Alberto Clò (8)
	Marco Elefanti (9)
	Ernesto Lavatelli (10)
	Ettore Rocchi
	Alcide Rosina (11)
	Enrico Salza (12)

Board of Auditors

President	Aldo Milanese
Regular auditors	Lorenzo Ginisio
	Giuseppe Lalla
Deputy auditors	Massimo Bosco
	Emilio Gatto

Director in charge of accounting and corporate documents

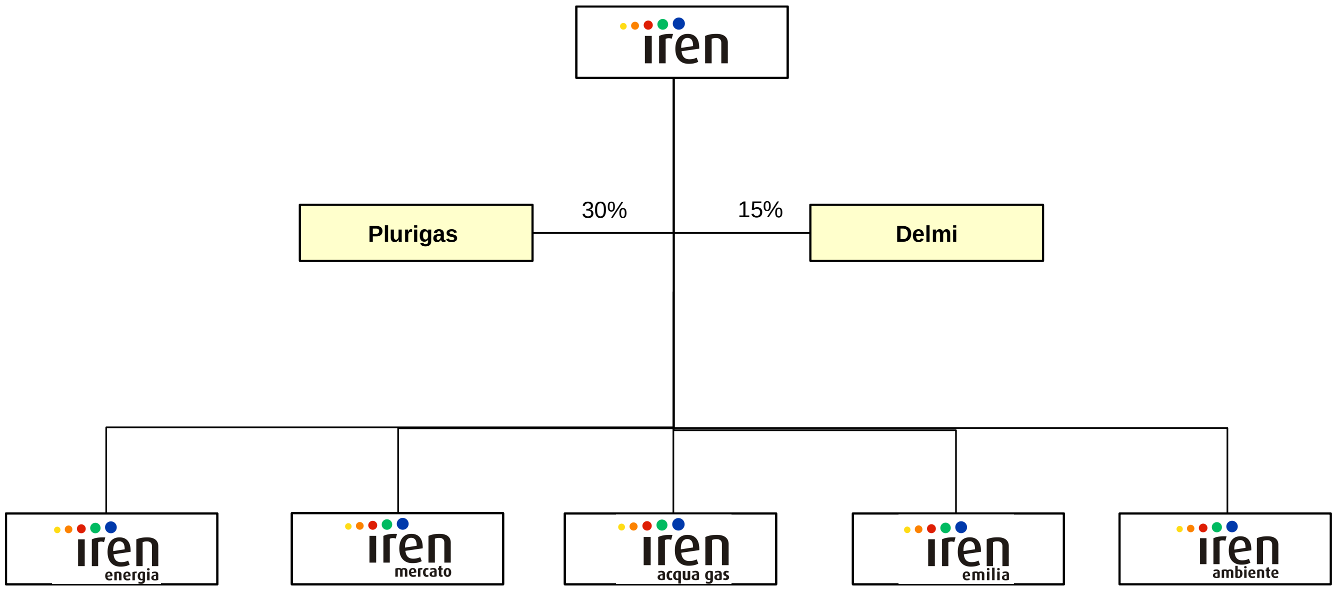
Massimo Levrino

Independent auditors

KPMG S.p.A.

(1) (2) (3) (4) Members of Executive Committee
(5) Member of Remuneration Committee
(6) President of Remuneration Committee
(7) Member of Surveillance Office
(8) (11) Member of Internal Control Committee
(9) President of Surveillance Office
(10) Member of Remuneration Committee and member of Surveillance Office
(12) President of Internal Control Committee

IREN GROUP: CORPORATE STRUCTURE



This diagram illustrates the main Subsidiaries of Iren Holding.

IREN ENERGIA

Co-generated electric and thermal power production

Overall, Iren Energia disposes of ca. 2,300 MW of installed power, including ca. 1,400 MW directly and ca. 900 MW through its subsidiaries Edipower and Energia Italiana. More specifically, Iren Energia employs 20 electric power production plants, including 12 hydroelectric and 8 thermoelectric co-generation plants supplying an overall power of ca. 1,400 MW (electric) and 1,800 MW (thermal), with a 700 MW co-generation. The primary energy sources employed are fully eco-compatible, being hydroelectric and co-generative. In particular, the hydroelectric production system plays a relevant role in the protection of the environment, using a renewal and clean resource that is free from discharges of polluting substances; hydroelectric power allows a reduction in the use of other production options having higher environmental impacts. Iren Energia has always regarded respect for the environmental as a corporate value, believing that the development of the hydroelectric production system is one of the main instruments to protect the territory, thus investing large amounts or resources year after year. Iren Energia supplies an overall thermal power of 1,800 MW_t, 40% of which come from owned co-generation plants, with the remaining portion given by conventional heat generators. The heat production in the 1st quarter 2011 was ca. 1,235 GWh_t, with a heated district volume of ca. 66 million cubic metres. Iren Energia is maintaining several investments in the hydroelectric and co-generation fields that are intended to strengthen its position as an energy producer; Iren has also increased its installed power by ca. 370 MW from a current 2,300 MW. During the past quarter, the re-powering works at the Valle Orco hydroelectric plants were completed, which gave for the 1st quarter 2011 an added contribution to the hydroelectric production of ca. 53 GWh from the same period of 2010.

Electric power distribution to restricted clients

Through its subsidiary AEM Torino Distribuzione, Iren Energia performs electric power distribution on the whole city territories of Turin and Parma (ca. 1,085,000 inhabitants); during the 1st quarter 2011, the total electric power distributed was 1,090 GWh, of which 866 GWh in Turin and 224 GWh in Parma.

Services to local administrations and global service

Iride Servizi, a subsidiary of Iren Energia, supplies public lighting and traffic light services to the city of Turin, together with the management of thermal and electric installations within the town administration buildings and the technological Global Service management for the Turin Court House.

The telematics infrastructures and connectivity for the cities of Turin and Genoa are handled by the subsidiaries AemNet and SasterNet, respectively.

District heating

The district heating and gas distribution activities in the city of Turin are carried out by AES Torino (51% controlled by Iren Energia S.p.A.), which owns one of the largest district heating networks in the whole Italian territory (ca. 420 km of dual-piping in 2010).

As of 31 March 2011, the 1,329 km gas network was serving ca. 500,000 end clients.

After the merger with Enìa, Iren Energia also owns the Parma, Reggio Emilia and Piacenza district heating network, with an overall extension of ca. 297 km.

Lastly, Nichelino Energia, a company incorporated as a co-participation by Iren Energia (62% share), Iren Mercato (5%) and AES Torino (33%), is aimed at developing district heating in the town of Nichelino.

IREN MERCATO

Through Iren Mercato, the Group operates in electric power, gas and heating sales, supply of fuels to the Group, energy efficiency title trading, green certificates and emission trading, client management services to subsidiaries within the Group, supply of heat services, and heat sales via the district heating network.

This sale activity on the free market is accomplished both directly and indirectly via industrial participations in local trading companies, primarily located in the North-West and Tyrrhenian regions.

The main electricity sources for Iren Mercato's activities are Iren Energia S.p.A.'s thermoelectric and hydroelectric plants; in addition, via tolling agreements, Iren Mercato is granted 10% of the electric energy produced by Edipower plants.

As of 03/31/2011, the gas clients directly served by Iren Mercato totalled ca. 744,000, while the electric power clients served were ca. 677,000.

Natural gas sales

During the 1st quarter 2011, a total natural gas volume of 1,164 mcm was supplied, including 722 mcm sold to end clients outside the Group, 65 mcm employed to produce electric power via the tolling agreements with Edipower, and 377 mcm used within the Iren Group both for the production of electric and thermal power and the supply of heat services.

Electric power sales

During the first quarter of 2011, a total volume of 3,536 GWh was sold, net of distribution losses.

In the following, an analysis is shown by end client clusters.

Free market & stock exchange:

A total 2,257 GWh were sold to end clients and wholesalers through the first quarter of 2011, while a total volume of 1,279 GWh was employed in stock exchange.

Regarding supplies, in the first quarter of 2011 a total 1,753 GWh were available internally to the Iren Group (Iren Energia, Tirreno Power), with 421 GWh coming from the Edipower tolling. The IPEX market gave 1,147 GWh, while supplies from the wholesaler segment amounted to 46 GWh.

Former restricted market:

An overall approximate 430,000 clients were served by Iren Mercato in a superior protection regime in the first quarter of 2011. Total volumes sold during the first quarter of were 326 GWh.

Heat sales through district heating network

Iren Mercato handles heat sales to clients in the Genoa, Turin and Nichelino municipalities and the Reggio Emilia, Piacenza and Parma provinces.

In further detail, this activity includes supplying heat to clients already served by the district heating network, managing the relationships with such clients, and controlling and governing intermediate plants that supply thermal installations to buildings reached by the network. The heat supplied to clients is in turn supplied by Iren Energia S.p.A. at such trading conditions as to guarantee adequate remuneration.

As of March 2011, the client portfolio in the Piedmont region increased thus to 4,000 active contracts, or to a district-heated volume of over 43 million cubic metres, meaning 430,000 inhabitants or 40% of Turin citizens, whereas in the Emilia region an approximate total of 18.5 million cubic metres of district heating were delivered.

Heat services management

During the first quarter of 2011, the development of Energy Service Agreements was pursued, particularly in contracts aimed at the private business sector.
In addition, an agreement with the Liguria Region is active for the management of energy services in hospitals and healthcare facilities, where the company, via the Cae (Global Services) structure and the specialised Climatel and OCCLIM companies, intervened in a number of substantial operational governance and maintenance contracts. Iren Mercato is the energy supplier in this initiative. A similar initiative is active in the Lazio region, in ATI with A2A.

IREN ACQUA GAS

Integrated water services

The first-level company Iren Acqua Gas is active, both directly and via its subsidiary Mediterranea delle Acque, in water supply services to the Genoa, Parma, Piacenza and Reggio Emilia provinces.
The current corporate configuration is the result of a re-organisation project of the activities pertaining to the Mediterranea delle Acque subsidiary and the water-related branch in Iren Acqua Gas, that led to the company F2i Rete Idrica Italiana S.p.A. entering the Group.
Said re-organisation was effected in order to overcome the inefficiencies in the Italian integrated water supply system by grouping together previously fragmented activities, and to create a more flexible structure suitable for taking advantage of development opportunities related to the new regulations and standards in this field.
In particular, since July 2004 the company has acted as a Territorial Provider for the Genoa ATO (Optimal Territorial Unit), and on 1 July 2010 the water supply contracts to the territories of Reggio Emilia and Parma were added and granted to Iride Acqua Gas from the Iride-Enìa merger process.
The so-called Galli Act introduced a revision of water supply services in Italy, mainly through two principles: overcoming the fragmentation in supplies and introducing integrated supply contracts that include the full water cycle, from sourcing, through distribution, collection, treatment and disposal, down to the return of waters to the environment. Through its structure, Iren Acqua Gas is capable of reaching an overall territorial range including 128 municipalities and over 1,7 million citizens in the company's ATOs (i.e., the Genoa region, Reggio Emilia and Parma).
In the first quarter of 2011, Iren Acqua Gas sold ca. 40 mcm of water in its contract areas through a distribution network spanning over 9,400 km. Concerning waste water, the company runs a sewerage network extending over ca. 5,400 km.
IdroTigullio runs the integrated water services for the eastern portion of the Genoa ATO through a 464 km aqueduct network, a 453 km sewerage network, 7 mid-size purification plants and 34 other minor plants.
AmTer is in charge of integrated water services in the western portion of the Genoa province with a 316 km aqueduct network, a 140 km sewerage network and 4 water processing plants.

Gas distribution

Through its subsidiary Genova Reti Gas, Iren Acqua Gas distributes methane gas to the Genoa municipality and 19 other neighbouring municipalities, reaching ca. 350,000 end clients overall. The distribution network spans ca. 1,800 km, of which 418 km are in medium pressure and the remaining are in low pressure. The covered area, totalling ca. 571 square kilometres, is characterised by an extremely complex chorography with relevant altitude variations. Natural gas supplied by national methane pipelines is run through 7 mutually interconnected methane reception stations owned by the company and conveyed to the local distribution network. By using innovative technologies in the network layout and maintenance, all required servicing activities can be accomplished with a minimum expenditure in terms of time, costs and service interruptions.
In addition, through the subsidiary Gea S.p.A., the distribution service is supplied to the Grosseto territory.
In the first quarter of 2011, through its subsidiaries, Iren Acqua Gas distributed an overall 201 mcm of gas.

Specialised technological services and research
Through its Saster and SasterPipe Divisions, Iren Acqua Gas is able to offer network engineering services to the market, such as computerisation, modelling, or simulation, as well as renewal of technology networks through no-dig technologies, where the company boasts an exclusive know-how. In addition, with the specific purpose of promoting and organising scientific and cultural events aimed at the protection of environment and water resources and at an optimal management of network-supply services, in 2003 the AMGA Onlus (socially-oriented no-profit organisation) Foundation was established, whose corporate activities are intended to promote and carry out research, training and information projects, as well as supporting actions taken by other entities in environmental protection and organisation of public utility services.

IREN EMILIA

Iren Emilia is active in the methane gas distribution, waste collection and environmental hygiene sector, as well as coordinating the activities of territorial companies in the Emilia-Romagna regions for the operations management of the integrated water cycle, electric and district heating networks, and other minor businesses (public lighting, administration of public green spaces, etc.).
Iren Emilia was granted natural gas distribution contracts in 71 out of 140 municipalities in the Reggio Emilia, Parma and Piacenza provinces. Overall, the company operates over 5,700 km of local high-, medium- and low-pressure distribution networks, for a maximum sourcing capability from the national piping network of 726,879 scm/h.
Iren Emilia is active in the environmental hygiene service supplies in the Piacenza, Parma and Reggio Emilia provinces, totalling 112 municipalities and 1,109,000 inhabitants in these territories. Always with an eye to environmental protection and sustainable development, Iren Emilia has activated several capillary separated waste collection systems including over 122 fully-equipped ecological stations that enabled the territory served to exceed a 56% result as a fraction of separated waste collection sent to recycling plants for reconversion in raw materials.
In particular, the company carries out activities such as urban waste collection, street and pavement cleaning, snow removal and maintenance of parks and green areas. Through Iren Ambiente, a company within the Iren Group, Iren Emilia guarantees that waste disposal is done in such a way to preserve and protect the environment, as well as studying the various aspects of the waste disposal issue by improving the knowledge and development of the most innovative and “environmentally safe” currently existing technologies.
In addition, the company is in charge of the operational management for the integrated water cycle (aqueducts, purification, sewerage) in the Parma, Piacenza and Reggio Emilia provinces. This activity involves an overall network with 11,416 km of aqueducts, 6,075 km of sewerage, 3,379 wastewater pick-up plants and 735 purification plants.
The operational management activity for the district heating network is carried out in the cities of Reggio Emilia, Parma and Piacenza and involves an overall network spanning 293.5 km with an overall volume served of 17.6 mcm. The operational management of the electric power distribution network is done in the city of Parma and involves a 2,320 km network with 122,830 delivery points to end clients.

IREN AMBIENTE

Environment sector

Iren Ambiente carries out either directly or through its subsidiaries activities such as processing, disposal, storage, recovery and recycling of urban and special wastes, and energy recovery (both thermal and electric) through thermal exploitation plants and management of bio-gas production plants, in the Parma, Reggio Emilia and Piacenza provinces. Iren Ambiente supplies a considerable client portfolio with services such as special waste disposal, as well as performing activities such as processing, selection, recovery and final disposal of urban waste collected by Iren Emilia S.p.A.
Non-separated waste fractions are sent to various disposal processes intended to exploit wasted resources through a pre-emptive industrial process of mechanical selection in order to reduce the fraction intended for thermal exploitation and dump site disposal. Iren Ambiente handles over 900,000 tons of waste per year, with 12 processing, selection and storage plants, 2 thermal exploitation plants in Piacenza and Reggio Emilia, 1 dump site in Poiatica (Reggio Emilia) and 2 composting plants in Reggio Emilia. A new Integrated Environmental Centre (PAI) is under construction in Parma, to be activated in 2012, that will include a selection and thermal exploitation plant.

Electric power production from renewable sources

Iren Ambiente is also active in the field of electric power production from renewable sources, through several projects that are primarily focussed on the photovoltaic sector. In this sector, plants were built in the Puglia region totalling 5 MW (through the subsidiary Enia Solaris), as well as an additional plant covering a company building with a power of 1 MW and 29 minor power plants installed on company premises or municipal buildings. Throughout the first quarter of 2011, via the subsidiary Iren Rinnovabili S.r.l., a sale activity in the photovoltaic sector was pursued under the denomination “Raggi & Vantaggi” (literally: (sun)rays & advantages), albeit within a complicated context affected by uncertain law standards due to proposals of incentive reductions.
In addition, at the beginning of 2011 a 1 MW hydroelectric plant in the Baiso (Reggio Emilia) started its operations with good production outcomes.

As for projects in the wind energy sector, in 2010 wind surveys were completed in the Apennines area that will lead in 2011 to an application for building a 6 MW wind energy field. Furthermore, special attention was focussed, as a follow-up from the previous year, on the development of a business model for novel initiatives in the bio-gas and bio-methane production field.

District heating plant operation

In addition, Iren Ambiente operates via specific contracts with Iren Energia S.p.A. in the field of district heating through the operation and extra-ordinary maintenance of thermal plants and co-generation plants in the Parma, Reggio Emilia and Piacenza provinces.

IREN GROUP STAFF

As of 31 March 2011, the Group employed 4,719 persons. The following table shows a detailed analysis by Group for to first-level companies.

Company	Workforce as of 03/31/2011	Workforce as of 12/31/2010	Change %
IREN S.p.A.	269	270	(0.4)
IREN Acqua Gas & subsidiaries	1,045	1,049	(0.4)
IREN Ambiente & subsidiaries	238	241	(1.2)
IREN Emilia & subsidiaries	1,695	1,711	(0.9)
IREN Energia & subsidiaries	1,037	1,045	(0.8)
IREN Mercato & subsidiaries	435	436	(0.2)
Total	**4,719**	**4,752**	**(0.7)**

INFORMATION ON IREN SHARES IN THE FIRST QUARTER OF 2011

IREN share quotations on the Stock Exchange

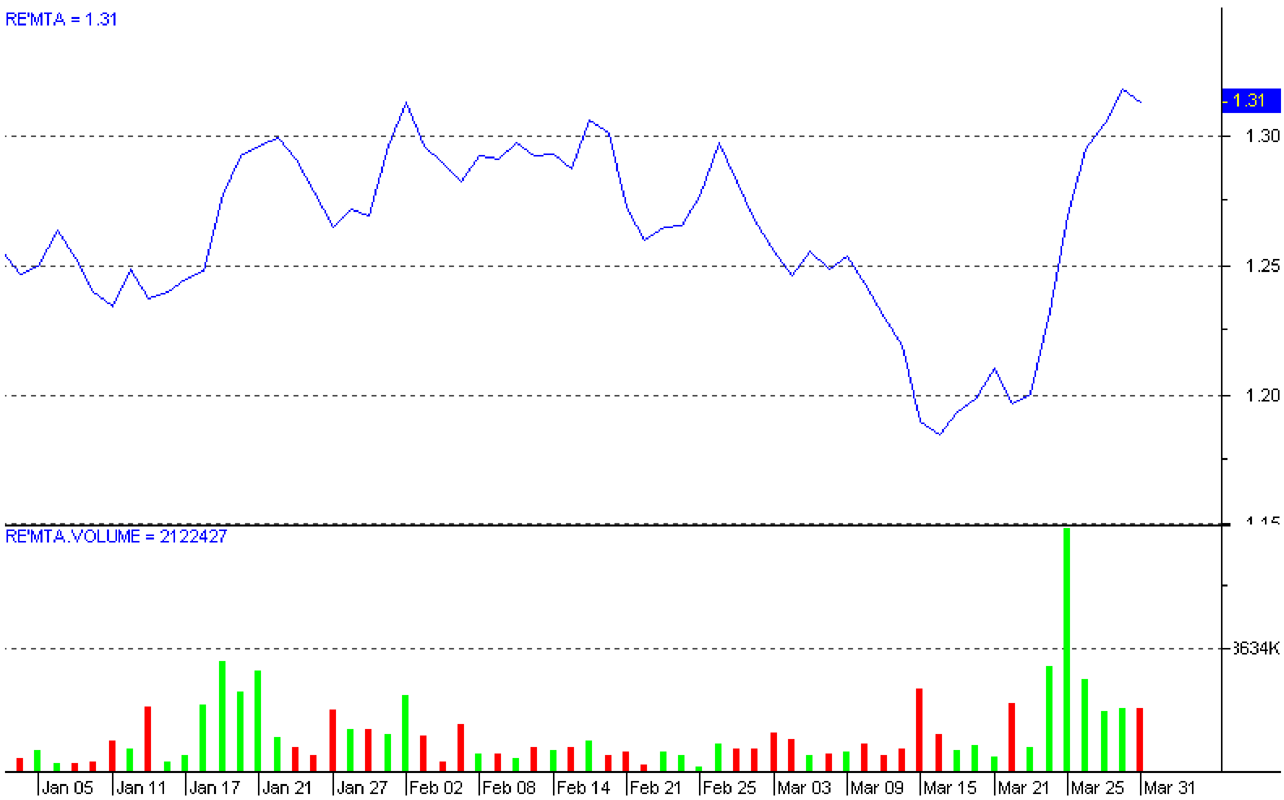
During the 1st quarter 2011, financial markets showed early signs of recovery after a long recession on the international financial landscape that hit the bottom last year with the financial crisis of some European sovereign states (namely Greece, Spain and Ireland). At the beginning of 2011, financial markets reacted positively to the measures taken by governments in the Euro-zone to curtail debts. However, only weak recovery signals were observed through this period in real economy, with energy demand slowly recovering but still well below its 2008 levels.

At the end of March 2011, Iren shares settled to EUR 1.31 each, with a 4.6% increase from the beginning of the year and volumes around 1.4 million units per day.

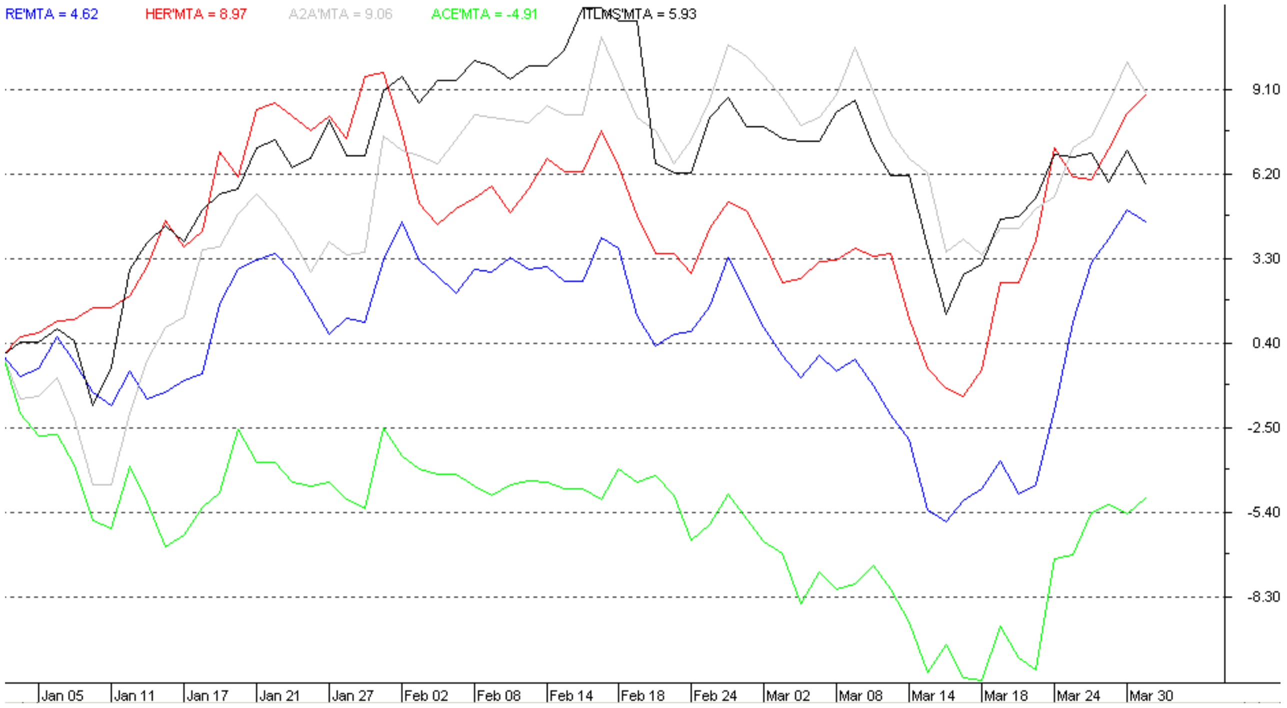
Through the same period, the average share price was EUR 1.26, with a EUR 1.19 minimum on 03/16 and a EUR 1.31 maximum at the end of the period (03/31), within a positive trend triggered by the publication of positive balance sheet data for 2010.

STOCK EXCHANGE DATA, EUR/share in the first quarter of 2011	
Average price	1.26
Max price	1.31
Min price	1.19
No. of shares ('000)	1,276,226

IREN shares price trends and volumes



Iren shares showed trends consistent with the All Share index and the main multi-utility companies, with the exception of Acea, that showed a –4.9% decrease in this period.

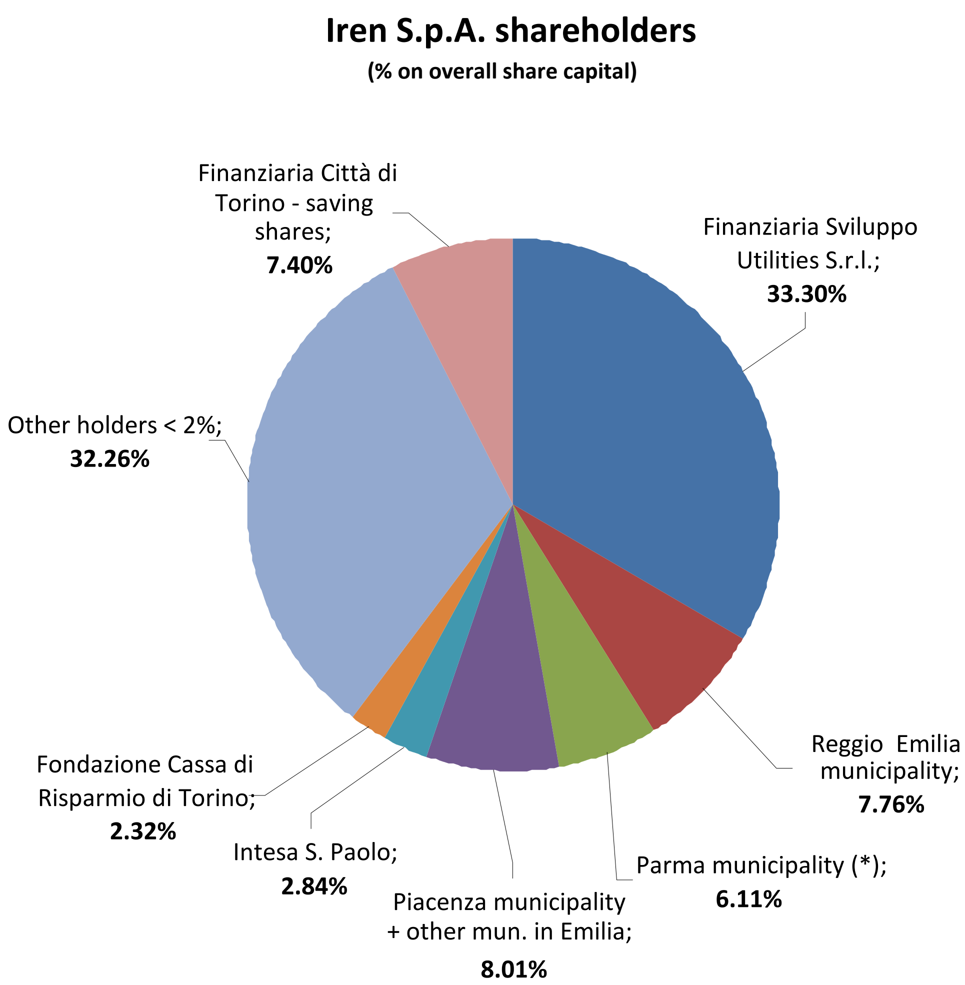


IREN shares coverage

Currently the IREN Group is followed by eight brokers, namely: Banca IMI, Banca Leonardo, Centrobanca, Cheuvreux, Deutsche Bank, Equita, Intermonte, Mediobanca.

Shareholders

As of 31 March 2011, based upon information made available by the company, IREN shareholders could be group as follows:



(*) by usufruct on 52,200,000 shares whose bare ownership pertains to S.T.T. Holding S.p.A., a 100% subsidiary of the Parma municipal administration.

OPERATIONAL DATA

Electric power balance

GWh	First quarter 2011	First quarter 2010 pro forma	Change %
SOURCE			
Gross production	2,195	2,157	1.8
a) Thermoelectric	1,557	1,512	3.0
b) Hydroelectric	141	95	48.4
c) WTE production	22	34	(35.3)
d) Edipower plants production	421	433	(2.8)
a) Tirreno Power plants productions	54	83	(34.9)
Purchase by lone purchaser	342	394	(13.2)
Energy purchase in Electricity Exchange	1,147	1,470	(22.0)
Energy purchase from wholesale & import	46	269	(82.9)
All sources	**3,730**	**4,290**	**(13.1)**
DESTINATION			
Sales to superior protection clients	326	361	(9.7)
Sales via Electricity Exchange	1,279	1,945	(34.2)
Sales to suitable end clients, wholesalers & miscellaneous	1,948	1,817	7.2
Pumping & distribution losses	177	167	6.0
All destinations	**3,730**	**4,290**	**(13.1)**

Gas balance

million cubic metres	First quarter 2011	First quarter 2010 pro forma	Change %
SOURCE			
Purchase (Plurigas and Sinit)	706	897	(21.4)
Purchase (other wholesalers)	458	424	8.1
ALL SOURCES	**1,164**	**1,321**	**(11.9)**
DESTINATION			
Gas marketed by the Group	722	866	(16.6)
Gas intended for internal use (*)	442	455	(2.9)
ALL DESTINATIONS	**1,164**	**1,321**	**(11.9)**

(*) internal use include thermoelectric use, tolling, heat service generation, and self-consumption.

Network services

	First quarter 2011	First quarter 2010 pro forma	Change %
ELECTRIC POWER DISTRIBUTION			
Electric energy distributed (GWh)	1,090	1,095	(0.5)
No. of electronic metres	659,786	598,007	10.3
GAS DISTRIBUTION			
Gas distributed by Aes Torino (mil. m^3) (*)	309	353	(12.5)
Gas distributed by Iren Acqua Gas (mil m^3)	201	228	(11.8)
Gas distributed by Iren Emilia (ml m^3)	445	469	(5.1)
Total gas distributed	955	1,050	(9.0)
DISTRICT HEATING			
District heating volume (mil. m^3)	66	63	4.8
District heating network (km)	745	667	11.7
INTEGRATED WATER SERVICE			
Water volume (mil. m^3)	46	48	(4.2)

(*) 51% Aes Torino

MARKET SCENARIO

National energy scenario

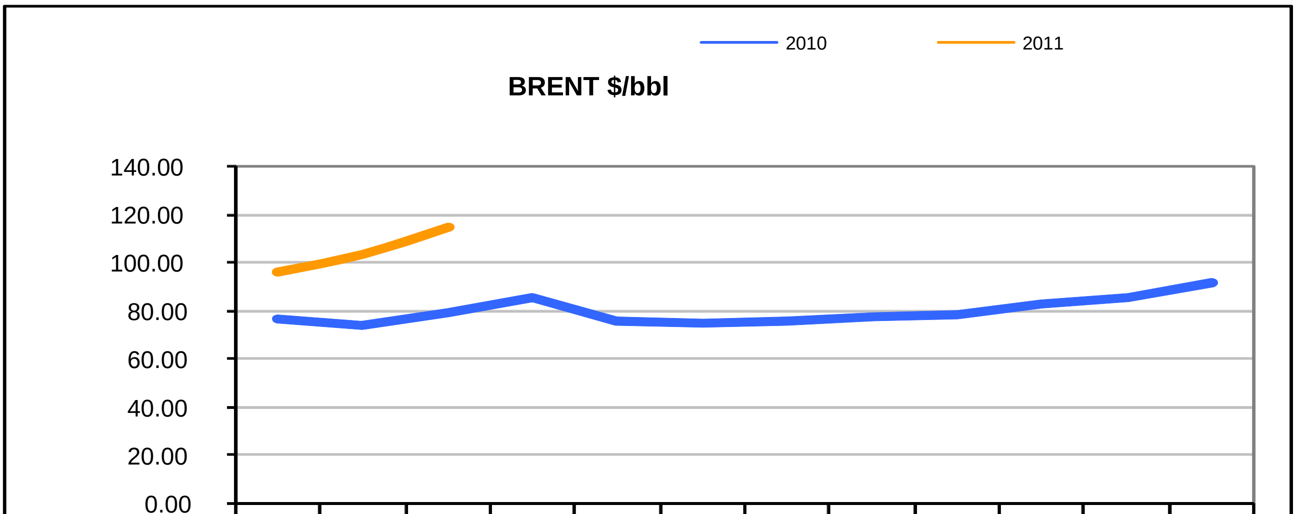
In the period January-March 2011 the net electricity production in Italy was 71,911 GWh, with a slight decrease (–0,2%) from the previous year. The electricity demand totalled 83,259 GWh (+1.1%), of which 85.8% were satisfied from domestic production (+1.7%) and the remaining 14.2% from foreign balance. Domestic thermoelectric production was 58,117 GWh, with a 1.1% increase from 2010, covering 80.8% of the supply; domestic hydroelectric production was 9,775 GWh (–8.6% from 2010), covering 13.6% of the supply, while the production from geothermal, wind and photovoltaic sources was 4,019 GWh (+2.7%), covering 5.6% of the supply.

Cumulated electric power demand & supply (GWh + change trends)			
	until 03/31/2011	**until 03/31/2010**	**Change %**
Demand	**83,259**	**82,385**	**+1.1%**
- North	38,564	38,195	+1.0%
- Centre	23,760	23,587	+0.7%
- South	12,280	12,233	+0.4%
- Islands	8,655	8,370	+3.4%
Net production	**71,911**	**72,045**	**–0.2%**
- Hydroelectric	9,775	10,668	–8.6%
- Thermoelectric	58,117	57,465	+1.1%
- Geothermoelectric	1,323	1,251	+5.8%
- Wind & photovoltaic	2,696	2,661	+1.3%
Foreign balance	**11,987**	**11,691**	**+2.5%**

Source: RIE processing of TERNA data

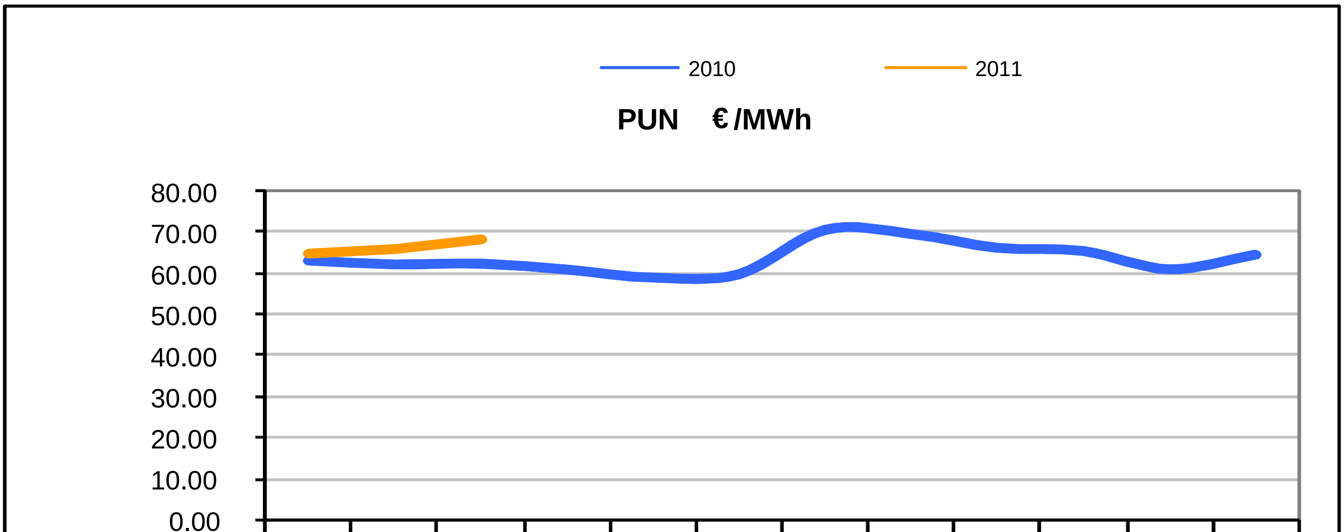
The 1st quarter 2011 showed an overall recovery in electricity demand from the 1st quarter 2010 (+1.1%). Compared to the first quarter of 2009, which in turn showed a 7.7% decrease from the first two months of 2008, a 3.9% or ca. 3.1 TWh increase can be observed. The per cent growth was positive in all regions within the Italian territory, particularly in the two major islands (+3.4%) and the north region (+1%).

In the first quarter of 2011 the average crude oil price was USD 104.97 per barrel, with a 37.7% increase from the first quarter of 2010. The average EUR/USD exchange rate was 1.37, with a 0.02 decrease from the average rate over the first quarter of 2010. Due to these dynamics, the average crude oil quotation in Euros in 2011 was EUR 76.8 per barrel, with a 39.4% increase from the average price in 2010. Throughout the 1st quarter 2011 a steady increase in quotations was observed. The minimum value over this period was around USD 90 per barrel at the beginning of January, up to USD 118 per barrel at the end of March. Quotations were affected by other trend factors, such as the Libyan crisis and tension in other MENA (Middle East & North Africa) countries, as well as the earthquake that hit Japan (3rd global oil consumer).



	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2010	76.19	73.64	78.90	84.89	75.17	74.85	75.64	77.15	77.79	82.75	85.33	91.36
2011	96,54	103,7	114,6									

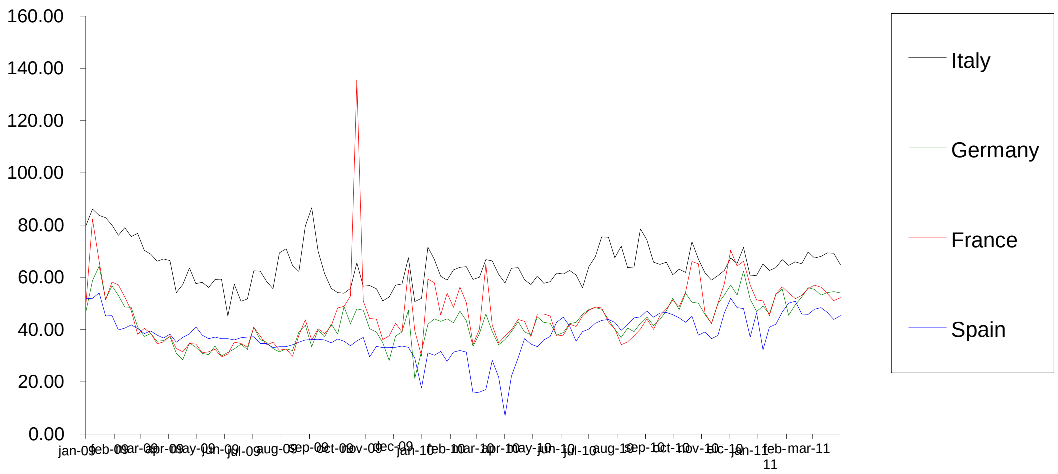
During the first quarter of 2011 the Power Exchange prices showed increases with respect both to the fourth quarter of 2010 and the first quarter of 2010. The PUN average value was 66.5 EUR/MWh, meaning +5.6% from the first quarter of 2010 and +3.9% from the fourth quarter of 2010.
Apparently this increase was related to the need of recovering from higher fuel prices experienced in the past months. Since the first quarter of 2010, all fossil fuels used in electric power production started moving upwards again. Exchange prices in off-peak hours showed the highest increases, +9.5% from the first quarter of 2010 and +5.3% from the previous quarter.



	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2010	63.45	62.55	62.73	61.31	59.36	60.20	70.90	69.91	66.55	65.78	61.38	64.88
2011	65.00	66.29	68.18									

As for regional prices, the area with the lowest prices as in 2010 is the South region, at 63.01 EUR/MWh (–5,2% from PUN), whereas Sicily has the highest prices at 81.24 EUR/MWh (+22% from PUN). In both cases the variance from the average price was halved, from –12.7% for the South region in the first quarter of 2010 to +43% for Sicily.

Weekly prices on the Power Exchange
(Euro/MWh)



In the first quarter of 2011, the liquidity on the stock exchange market decreased by 13.1% on an annual basis to 57.4% or 110.8 TWh. On the other hand, the Energy Account platform showed a 6.7% increase in exchanges, up to 42.6% of the electric power demand, or approximately 47.3 TWh.
We can therefore observe a confirmed strong growth trend for over-the-counter energy exchanges (+21.6%), which compressed the market liquidity to 55.9% in March, at its minimum level since 2005.
The following table shows values and comparisons between average monthly future prices through the quarter. An increasing trend was observed from January to March that confirmed a bullish sentiment in quotations. Annual future prices grew from 70.89 EUR/MWh at the beginning of January to 74.87 EUR/MWh at the end of March.

jan-11		feb-11		mar-11	
Futures		**Futures**		**Futures**	
monthly	**EUR/MWh**	**monthly**	**EUR/MWh**	**monthly**	**EUR/MWh**
feb-11	65.50	Mar-11	65.92	Apr-11	67.80
mar-11	64.41	Apr-11	64.18	may-11	66.80
apr-11	62.49	may-11	63.59	Jun-11	68.11
quarterly		**quarterly**		**quarterly**	
jun-11	63.68	jun-11	65.18	Jun-11	67.66
sep-11	71.36	Sep-11	73.19	Sep-11	77.09
dec-11	71.04	Dec-11	72.42	Dec-11	77.71
mar-12	71.66	Mar-12	72.40	mar-12	77.42
yearly		**yearly**		**yearly**	
dec-12	70.89	Dec-12	72.07	Dec-12	74.87

Source: RIE processing of IDEX data

The natural gas market

According to pre-consumptive data made available by Snam Rete Gas, in the first quarter of the overall gas consumption was 28.1 billion cubic metres, with a 2.2% decrease from 2010 (or –0.7 bil cbm), as a consequence of milder temperatures that caused a 5.3% reduction in withdrawals from distributions plants for volumes mainly intended for civil consumption. Conversely, thermoelectric and industrial uses grew with respect to 2010 by 0.9% and 4.2%, respectively; this grow is even more relevant if compared to 2009 (+12.1% and +17.9%), whereas we still observe a reduction in comparison to March 2008 (–12.4% and –12.7%) when recession had not yet profoundly affected energy consumption.
On the supply side, a mild reduction in imports from 2010 (–1.3%) can be observed, together with a reduced growth in network intakes from national production (+0.7%) and a reduction of withdrawals from stock (–7.8%).

January - March	2011	2010	2009	2008	Change % 11/10	Change % 11/09	Change % 11/08
GAS DRAWN (bil cbm)							
Distribution plants	15.7	16.6	15.7	14.7	–5.3%	–0.2%	7.0%
Industrial use	3.7	3.6	3.1	4.2	4.2%	17.9%	–12.7%
Thermoelectric use	7.8	7.7	6.9	8.9	0.9%	12.1%	–12.3%
Other networks and system consumption (*)	1.0	1.0	0.9	1.0	0.8%	11.6%	1.5%
Total withdrawn	28.2	28.9	26.7	28.8	–2.2%	5.5%	–2.1%
GAS INPUT (bil cbm)							
National production	2.0	2.0	2.1	2.3	0.7%	–1.7%	–12.0%
Import	21.7	21.9	18.2	23.0	–1.3%	19.0%	–5.8%
Storage	4.5	4.9	6.4	3.5	–7.8%	–30.2%	29.8%
Total input	28.2	28.9	26.7	28.8	–2.2%	5.5%	–2.1%

(*) includes: transit, export, carrier restoration, storage/de-storage variations, losses, consumption and non-registered gas.

Source: processing from Snam Rete Gas data. Pre-consumptive amounts for January-March 2011

Following the Libyan crisis, ENI closed the Greenstream gas import line on 23 February that carried 25-27 mcm/day or ca. 9 bil cbm per year. The missing volumes were compensated through an increase in Russian gas imports (entering national network in Tarvisio) and higher withdrawals from storage; however, this did not compensate for the lower deliveries from sites caused by a milder winter compared to 2010. The geo-political situation does not allow for any forecast about the Libyan imports restoration timeline; ENI stated that the plants did not suffer any concrete damage, thus it will be possible to restore gas production to previous levels as soon as the situation will be back to normal.

Within the current scenario of increases in oil prices and international tensions, we can observe a growth trend in gas prices, compared both to indexed prices and spot prices. Regarding indexed prices, the “Gas Release 2007” price for the first quarter of 2011 was around 31 Eurocents/cbm, compared to 29-30 Eurocents/cbm in autumn 2010, with an expected increase in the coming months; raw material-QE, set by AEEG for home client reference prices, grew to ca. 26 Eurocents/cbm in the first quarter of 2011 and was fixed to 27.25 Eurocents/cbm for the second quarter of. As for spot prices, a price around 27.80 Eurocents/cbm[1] was recorded at the Virtual Exchange Point, the maximum value from August-September 2010 (when a maximum of 29 Eurocents/cbm was reached after the Transitgas import line was closed), whereas prices and volumes traded on the spot market governed by GME ("Gas exchange") showed growth through the quarter, as the MGP monthly average price in continuous negotiation increased to 26.16 EUR/MWh from 25.10 EUR/MWh in January.

Regulations

- A draft for a legislative decree to adopt European Directives 2009/72/EC and 2009/73/EC in the Italian domestic law, concerning electricity and natural gas and known as "Third Energy Package", is currently under assessment by the competent governmental committees, with all the corresponding hearings and indications of institutional subjects, trade associations and operators. Among other aspects, the draft concerns safety in procurements, energy infrastructure development, network unbundling discipline, regulation authority objectives and tasks, strengthening of consumer protection, and definition of rules for European interconnections.

- Legislative Decree no. 28, dated 3 March 2011, "Implementation of Directive 2009/28/EC on the promotion of the use of energy from renewable sources, amendment and subsequent substitution of Directives 2001/77/EC and 2003/30/EC". The decree defines the instruments, tools and incentives, as well as the institutional, financial and juridical frameworks needed to reach the 2020 objectives in terms of overall energy quota from renewable sources on the final gross energy consumption and energy quota from renewable sources in transportation. Furthermore, said Decree stipulates regulations on statistical transfers between member States, common projects between member States and with third-party States, origin warranties, administration procedures, information and training, as well as access to the electrical network from renewable sources, as well as establishing sustainability criteria for bio-hydrocarbons and bio-liquids.

Electricity

- AEEG reference document 7/11, "Update of settlement rules - Review of information obligations timelines regarding balances, availability of measurement data and publication of aggregate area unbalance sign" (published on 27 March 2011).
By this document, the Authority makes available for reference a few proposals of review of timelines stipulated to comply to information obligations aimed at the regulation of physical and economical entries in the electric power delivery service (known as "Settlement").

- Ministry of Economic Development Decree from 02/03/2011 (OG no. 48, 02/28/2011), "Determination for the 1st quarter 2011 of the accounting value for the unused fuel cost component related to provisions by the Price Inter-ministry Committee no. 6/92 from 29 April 1992".
Said unused fuel accounting value for the 1st quarter 2011, expressed as Eurocents/kWh and defined as the product of the average price of conventional fuel, as of paragraph 1, to the specific consumption values, expressed in cbm/kWh and defined by the PIC no. 6/92 and the resolution by the Authority no. 81/99, is: 6.72 Eurocents /kWh for the chosen initiatives pursuant to art. 3, par. 7 of law no. 481/95; 6.36 Eurocents /kWh for plants as of art. 1, letter a) of resolution no. 81/99, started during 1997-1998; 6.13 Eurocents /kWh for plants as of art. 1, letter a) of resolution no.

[1] Source: GME from Thomson-Reuters

81/99, started during 1999-2000; 5.89 Eurocents /kWh for plants as of art. 1, letter a) of resolution no. 81/99, started during 2001-2002..

- Resolution ARG/elt 5/11, “Determination of the average value for the transfer price of electric power pursuant to art. 13, par. 3 of law decree no. 387/03 aimed at quantifying the market placement price for green certificates pursuant to art. 2, par. 148 of law no. 244/97 for the year 2011” (published on 28 January 2011).
With this resolution, AEEG, consistently with previous years, determined for 2011 the average annual value for the electric power transfer price as defined when implementing art. 13, par. 3 of law decree no. 387/03 in order to define the corresponding market placement price for green certificates issued by GSE.
The price of green certificates issued and placed on the corresponding market by GSE for the current year will be 113.10 EUR/MWh.

- AEEG notice to electric operators, “Update of minimum guaranteed prices for 2011” (published on 20 January 2011).
With this notice, AEEG, while implementing the provisions stipulated by article 7 of resolution ARG/elt no. 280/07 dated 6 November 2007, published values identified on progressive production batches for minimum guaranteed prices to be paid in 2011 to operators holding a Dedicated Withdrawal convention with GSE for the production of electric energy from plants powered with renewable sources having nominal power up to 1 MW.
Minimum guaranteed prices granted to plants powered by renewable sources having an electrical nominal power not exceeding 1 MW, as updated for 2011, are as follows:
- up to 500,000 kWh per year: 103.4 EUR/MWh;
- over 500,000 to 1,000,000 kWh per year: 87.2 EUR/MWh;
- over 1,000,000 to 2,000,000 kWh per year: 76.2 EUR/MWh.

Gas

- On 31 March a Ministerial Decree (MED - Local Affairs) was published on the Official Gazette concerning the determination of minimum territorial areas for gas distribution tenders. This MD identified 177 areas, while referring to later provisions for the details of the municipalities included in each area. Furthermore, we are still waiting for the related Regulation regarding tender procedures and criteria, which was referred for opinion to the State Council. Therefore, the current regulation framework is incomplete. The result of said MD should be blocking single-municipality tenders for which “a call for tenders was not published or the bid submission term has not yet expired”, although objections were raised over this aspect and interpretation issues arose with a consequent risk of disputes between operators and local administrations.

- During the first quarter and the month of April, some of the provisions of Legislative Decree no. 130 dated 13 August 2010 were implemented through a complex plan intended to introduce new measure aimed at endorsing the accomplishment of new gas storage capabilities with a commercial function, i.e., storing gas when this is economically convenient in such a way to reduce the system procurement cost. After the approval of ENI’s storage capacity development plant and the determination by AEEG of usage fees for the new capacity and for the so-called anticipation services or market effects by such capacity, 3 bil. cbm of storage were granted by tender, primarily to SME pools or industrial groups.

- Through its resolution ARG/gas no. 45/11 dated 14 April AEEG specified that on 1 July 2011, a new implementation of the balancing market will be commenced aimed at assigning a market value to gas as required to balance the operators’ positions and guarantee equilibrium to the network. Within a centralised platform operated by the Electric Market Authority (which already operates the “Gas Exchange”) and Snam Rete Gas acting as a central counterparty in the exchange of balance resources, the price will be determined upon the last accepted bid. Bids may not exceed the value of penalties applied to non-authorised strategic storage.

SIGNIFICANT EVENTS IN THE PERIOD

Edison group rearrangement

On 15 March 2011, Edison's Italian shareholders, including Iren, reached an agreement with Edf to postpone to 15 September 2011 the expiration date (originally 16 March 2011) for optional cancellation of para-company agreements in order to define a rearrangement project for the energy group from Foro Bonaparte.
Contextually, an understanding was reached on the governance that will guide Edison and Transalpina di Energia for a year during their transition phase.

Conversion of San Giacomo S.r.l. to joint stock company and its renaming as Mediterranea delle Acque S.p.A.

Following a meeting resolution by San Giacomo S.r.l. issued on 28 December 2010, as of 5 January 2011, San Giacomo was converted from limited liability to joint stock company. Contextually, the company took the new name Mediterranea delle Acque S.p.A., thus adopting the name from the incorporated company itself.

PREPARATION CRITERIA

CONTENTS & FORM

This consolidated interim report on operations as of 31 March 2011 was prepared in compliance with the provisions of art. 154-ter, "Financial report" of the Italian Consolidated Finance Act ("TUF") introduced by Lgs. Dec. 195/2007, through which Directive 2004/109/EC (known as the "Transparency Directive"), regarding periodic information and based on Consob notice no. DEM/8041082 dated 04/30/2008 was adopted. Said provision replaces those provided for by art. 82 ("Quarterly report") and Annex 3D ("Quarterly report drafting criteria") in the Issuers' Regulation.
The reference accounting principles used when preparing this report are the "International Financial Reporting Standards (IFRS)" issued by the International Accounting Standard Board ("IASB") and validated by the European Commission. The IFRS denomination also includes all currently effective International Accounting Standards ("IAS"), as well as all interpretation documents issued by the Financial Reporting Interpretations Committee ("IFRIC") and its predecessor Standing Interpretations Committee ("SIC").

ACCOUNTING PRINCIPLES ADOPTED

Accounting principles and evaluation criteria, as well as consolidation principles, adopted when preparing this interim report on operations for the IREN Group are consistent with those used when preparing the IREN Group's Consolidated Balance Sheet as of 31 December 2010, to which reference is made for a complete description.

The preparation of this interim report on operations required estimations and assumptions that affected the values of revenues, expenses, assets and liabilities. The results a *posteriori* following the actual events may differ from such estimations.

In addition, it should be remarked that certain assessment processes, particularly the most complex processes such as the determination of any losses of value for immobilised assets, are usually accomplished more completely only upon drafting the annual balance sheet, when all required information is available, except when impairment indicators are present that require an immediate assessment of any losses of value. Similarly, all actuarial evaluations required to determine employees' benefit funds are carried out upon drafting the annual balance sheet.

Finally, it should be observed that this interim report on operations will not be subject to accounting auditions.

CONSOLIDATION SCOPE

The consolidation scope is unchanged from 31 December 2010 and includes all companies controlled directly or indirectly by the Group's parent company.

Group's Parent Company
IREN S.p.A.

Companies consolidated with the integral method
Five first-level companies (hereinafter "FLC") are integrally consolidated, together with their subsidiaries via the FLCs' consolidated balance sheets.

1) IREN Energia and its subsidiaries:
- Iride Servizi and its subsidiaries:
  - AEM NET
  - Sasternet
- AEM Torino Distribuzione
- CELPI
- Nichelino Energia

2) IREN Mercato and its subsidiaries:
- CAE Amga Energia and its subsidiaries:
  - O.C. CLIM
  - CLIMATEL
- GEA Commerciale

3) IREN Acqua Gas and its subsidiaries:
- Genova Reti Gas
- GEA
- Aquamet (classified as an activity intended for selling)
- Laboratori Iride Acqua Gas
- San Giacomo and its subsidiaries:
  - Idrotigullio
  - Immobiliare delle Fabbriche

4) IREN Emilia and its subsidiaries:
- Enìa Parma
- Enìa Piacenza
- Enìa Reggio Emilia
- Enìatel
- Consorzio GPO (classified as an activity intended for selling)
- AGA
- Undis Servizi
- Tema (classified as an activity intended for selling)
- Zeus

5) IREN Ambiente and its subsidiaries:
- IREN Rinnovabili and its subsidiaries:
  - Enìa Solaris
- Tecnoborgo
- Bonifica Autocisterne
- Montequerce

In said companies, the Group’s parent company holds directly or via its direct or indirect subsidiaries the majority of votes in ordinary shareholders meetings.

Companies consolidated with the proportional method
The following companies are consolidated through the proportional method:

- AES Torino (51% participation by IREN Energia, although jointly managed with the other shareholder Italgas following contract agreements between the parties)
- Società Acque Potabili (30.86% participation by IREN Acqua Gas)
- Acquedotto Savona (100% participation by Società Acque Potabili)
- Acquedotto Monferrato (100% participation by Società Acque Potabili)
- Acque Potabili Siciliane (56.77% participation by Società Acque Potabili)
- Acque Potabili Crotone (100% participation by Società Acque Potabili)
- OLT Offshore LNG S.p.A. (41.71% participation by IREN Mercato)
- Namtra Investments Ltd (100% participation by OLT Offshore LNG)

RISK MANAGEMENT

The management of business risks is an essential component of the Internal Control System of corporate governance in a listed company, and the Code of Conduct set forth by the Italian Stock Exchange assigns specific responsibilities as regards this aspect. The enterprise risk management model in place within the Group is currently being adapted and implemented in the new IREN entity. The model contains the methodological approach for the integrated identification, measurement and management of Group risks.
For either of the following risk types:

- Financial risk (interest rate, currency, spread);
- Credit risk;
- Energy risk (risk factors associated to energy and/or financial markets, such as market variables or pricing choices);
- Operational risk (risk factors associated with the ownership of assets, involvement in business activities, processes, procedures and information flows, and with the group's image).

specific “policies” have been defined with the primary goal of fulfilling strategic guidelines, organisational-managerial principles, macro processes and techniques necessary for the active management of related risks.
This model also governs the roles of the various parties involved in the risk management process, which is governed by the Group Board of Directors and requires the creation of a Group Risk Committee and specific Risk Commissions, which shall take more hands-on action regarding specific management models for each of the types of risk.
The “Risk Management” department, reporting to the CEO, was set up within the IREN Group. This department is formally entrusted within the following activities:

- coordinating the integrated management process of the Group's risks;
- signing and managing insurance policies, with the cooperation of the Legal department.

A summary of the Group’s risk management models is provided hereunder.

1. FINANCIAL RISKS

Iren Group's activity is exposed to various types of financial risks, including liquidity risk, currency risk and interest rate risk. As part of its Risk Management activities, the Group uses non-speculative hedging contracts to limit such risks. Derivatives are neither used nor held for purely trading purposes.

a. Liquidity risk
Liquidity risk is the risk that financial resources available to the company are insufficient to cover financial and trade commitments in accordance with the agreed terms and deadlines.
The Group Finance Department was centralised in order to optimise the collection and use of financial resources. Specifically, the centralised management of cash flows in IREN, both through cash pooling and centralisation of all collection and payments within the IREN current accounts, make it possible to allocate Group-wide available funds according to the needs arising from time to time within the single companies. Cash movements are recognised in infragroup bank accounts along with infragroup interest income and expense.
Other investees have an independent financial management structure in compliance with the guidelines provided by the Parent Company.
Based on the cash pooling model, the accounts of all the companies are zeroed every day by means of a netting system that transfers the balances of currency transactions on the accounts of the Parent Company.
The financial position, both current and forecast, and the availability of adequate credit facilities are constantly monitored.

IREN has relations with the leading Italian and international banks, for the purpose of searching for the types of loans most suitable to its needs, and the best market conditions.
With regard to liquidity risk potentially deriving from contractual clauses allowing counterparties to withdraw financing should certain events occur (default and covenant risk), the clauses in IREN loan agreements do not contain critical elements.
For some of Iren's medium-long tem loan agreements, namely for the loans obtained from the European Investment Bank, the commitments involve financial covenants (such as Debt-EBITDA, EBITDA-Financial expense). Checks are on an annual basis and limits were defined with adequate prudence criteria and have been met in full. Moreover, other covenants such as the Change of Control clause have been provided for, which sets forth that the IREN Group should be kept under indirect or direct control of Local Authorities, as well as clauses concerning negative pledges, under which the company undertakes not to give collateral beyond a specific limit, and the *Pari Passu* clause, which reserves an equal treatment to lending banks with respect to the treatment for other unsecured creditors.
Also medium-long term loan agreements of some Group companies involve financial covenants (Net Financial Indebtedness/EBITDA, Net Financial Indebtedness/Equity).

b. Currency risk

Except as indicated under the section on energy risk, the IREN Group is not particularly exposed to the currency risk.

c. Interest rate risk

The IREN Group is exposed to fluctuations in interest rates above all for financial charges regarding indebtedness. IREN Group's objective is to limit its exposure to interest rate increases while maintaining acceptable borrowing costs.
The risks associated with the increase in interest rates are monitored non-speculatively and, if necessary, reduced or eliminated by signing hedging swap and collar contracts with high credit standing financial counterparties, with the sole purpose of cash flow hedges.

2. CREDIT RISK

The Group's credit risk is mainly related to trade receivables that show no particular concentration since the credit exposure is spread across a large number of counterparties, since it is connected to the sale of electrical energy, district heating and gas to retail and business customers, public entities.
In order to control credit risk, operating management of which is entrusted to individual regional functions, methodologies have been defined for monitoring and control of credits in addition to the definition of strategies for reduction of credit exposure including the assignment of credit recovery to external credit recovery companies and the management of legal disputes regarding amounts receivable for services rendered.

The internal trade credit policy and *ex ante* assessment tools of creditworthiness, as well as monitoring and recovery activities differ in relation to the various categories of customers and the various consumption dimension levels.
Over the last few years in order to strengthen the analysis and monitoring capacities, new tools have been introduced for the acquisition of commercial information and customer payment records, operating management for the collection of overdue receivables, outsourcing the telephone inquiry activity for certain customer segments. The Group started and completed the project for "electronic meters" with the aim of enhancing the promptness in the decoupling of customers in arrears and reducing costs.

Credit risk is hedged, for certain types of business customers, by appropriate forms of bank or insurance guarantees upon demand issued by first rate credit entities.

An interest-bearing guarantee deposit is provided for some types of services (water, natural gas, “protected customer” electrical energy) in compliance with regulations governing these activities. This deposit must be reimbursed if the customer adopts the payment through bank/post current accounts.
Generally applied payment terms are compliant with regulations in force and are consistent with market standards. In the event of non payment, interest in arrears will be debited to the extent indicated in the supply contracts and as set out by regulations in force.

Accruals to the allowance for impairment accurately reflect the actual credit risk. In fact, for a targeted quantification each receivable amount recorded on the database is analysed, also taking into account ageing, with subsequent accrual.

3. ENERGY RISK

IREN Group is exposed to price risk, including the related currency risk, on the energy commodities traded, being electrical energy, natural gas, coal, etc., as both purchases and sales are either directly impacted by fluctuations in the price of such energy commodities or through indexing formulae.
The Group's strategy is to minimise the need to turn to the financial markets for hedges, both by aligning the indexing of the commodities purchased and sold and by exploiting, vertically and horizontally, its various business segments.
For this purpose, the Group carries out production planning for its plants and purchases electrical energy, with the aim of reconciling energy self-production and market supply with demand from Group customers.

4. OPERATING RISKS

This category includes all the risks not included in the previous categories, which may influence the achievement of operational targets, i.e. relating to the effectiveness and efficiency of business transactions, including the levels of performance, profitability and protection of the resources against losses.
The Enterprise Risk Management model, which is being implemented in the IREN Group, including on the basis of the models implemented in the former IRIDE and Enìa, focuses on the integrated and synergic management of risks, and it implements a management process that consists of the following stages

- identification;
- estimation;
- assessment;
- treatment;
- control;
- reporting.

Each process stage is performed in accordance with standards and references defined at Group level.
The operating part of the process is managed by local Risk Managers, who are responsible for specific areas in coordination with a central structure providing orientation and supervision.
The operational risk management process also aims at optimizing the Group’s insurance profiles in the key “property” and “liability” areas.

a. Legislation and regulatory risks

Legislation and regulatory framework is subject to possible changes over time, and therefore is a potential risk. For this purpose, the IREN Group set up internal structures in charge of the continuous monitoring of reference legislation, in order to assess and, as far as possible, mitigate its impact.

b. Strategic Risks

The local utilities sector is experiencing a phase of important development and consolidation. Deregulation and liberalisation mean companies have been forced to adopt a more decisive approach to competitive pressure, taking advantage of the opportunities for external and internal corporate growth offered by the new market scenarios.
The strategic development plan of the IREN Group provides for significant investments, from the development of joint ventures of important regasification plants for the gas supply, to the construction or upgrading of cogeneration plants to complete the district heating extension plan, as well as to the upgrading of the hydroelectric plants, and the consolidated presence in the electrical energy and gas distribution sectors, in the water sector and in the environmental sector.
The above interventions entail an exposure of the Group to regulatory, technical, commercial, economic and financial risks (obtaining of licences, application of new technologies, compliance with commercial schedules, analysis of competition, etc.), which the Group has to tackle through specific processes and structures, focused on covering all phases, from assessment, to authorisation and realization of such projects.

c. Plant-related risks

In relation to the consistency of the Group production assets, plant-related risk is managed using the methodology described above in order to correctly allocate the resources in terms of control and prevention (preventive/preemptive maintenance, control and supervision systems, emergency and continuity plans, etc.).
As a further safeguard, Insurance Instruments are in place, which have been appropriately configured according to the individual plants characteristics.

d IT Risks

The major operating risks connected with the IT system involve the availability of “core” systems which include those interfacing with the Power Exchange by IREN Mercato.
This company is in fact one of the first Italian operators on the Power Exchange and any accidental non availabilities of the system itself might have relevant economic consequences, connected with the non submission of sale or purchase offers on energy.
To mitigate such risks, specific measures have been adopted, such as the redundancy of parts of the system and appropriate emergency procedures (“Disaster recovery”), which are periodically subjected to efficiency ensuring.

FINANCIAL POSITION, RESULTS AND CASH FLOWS OF THE FIRST QUARTER 2011

The IREN Group was established on 1 July 2010 following the merger of Enìa into Iride. The restated Income Statement and Statement of Financial Position, as well as the Cash Flow Statement are shown hereunder.

The IREN Group's figures regarding the restated statement of financial position are compared with the corresponding figures as at 31 December 2010. Figures in the income statement and the statement of cash flows are compared with the IREN Group's corresponding pro-forma data regarding the first quarter of the previous year.

As regards the pro-forma figures, it is worth mentioning that the 2010 Pro-forma consolidated financial statements were drawn up in order to simulate the effects of merger on IRIDE's state of affairs, according to measurement criteria consistent with those applied by IRIDE in the preparation of its consolidated financial statements and compliant with reference legislation. This, while assuming that the extraordinary operation took place at the beginning of the period to which the Income statement and the Statement of cash flows refer, that is to say as at 1 January 2010.

Income Statement

IREN GROUP CONSOLIDATED INCOME STATEMENT

thousands of Euro

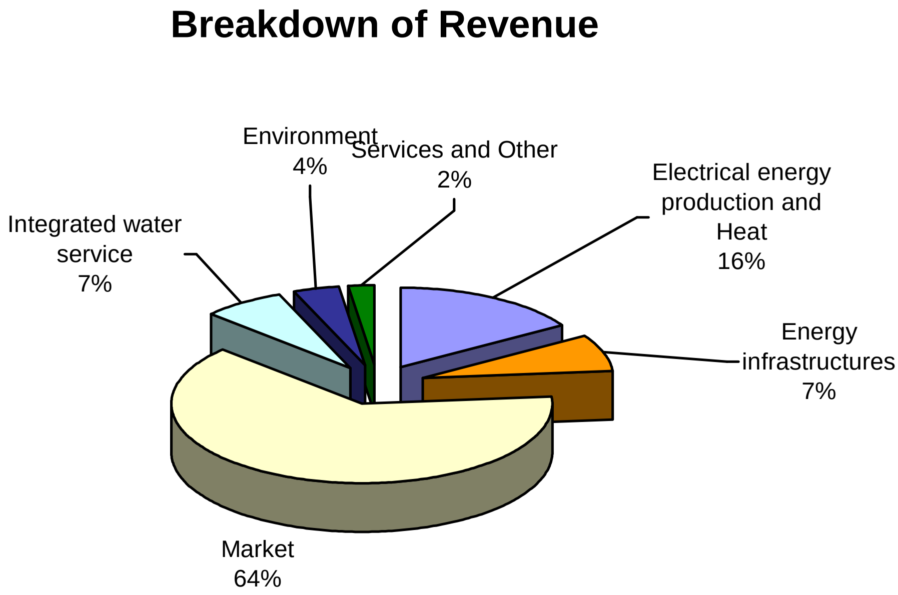
	First quarter 2011	First quarter 2010 Pro-forma (1) (2)	Changes %
Revenue			
Revenue from goods and services	920,727	944,865	(2.6)
Change in contract work in progress	620	941	(34.1)
Other revenue and income	51,287	66,634	(23.0)
Total revenue	**972,634**	**1,012,440**	**(3.9)**
Operating expense			
Purchase of raw materials, consumables, supplies and goods	(484,474)	(543,615)	(10.9)
Services and use of third-party assets	(206,613)	(186,439)	10.8
Other operating expense	(16,560)	(19,825)	(16.5)
Capitalised expenses for internal work	6,111	8,149	(25.0)
Personnel expense	(65,704)	(66,944)	(1.9)
Total operating expense	**(767,240)**	**(808,674)**	**(5.1)**
Gross Operating Profit (EBITDA)	**205,394**	**203,766**	**0.8**
Amortisation, depreciation, provisions and impairment losses			
Amortisation	(48,567)	(48,483)	0.2
Provisions and impairment losses	(9,312)	(11,693)	(20.4)
Total amortisation, depreciation, provisions and impairment losses	**(57,879)**	**(60,176)**	**(3.8)**
Operating Profit (EBIT)	**147,515**	**143,590**	**2.7**
Financial income			
Financial income	5,701	3,344	70.5
Financial expense	(20,278)	(21,401)	(5.2)
Total financial expense	**(14,577)**	**(18,057)**	**(19.3)**
Share of profit of associates accounted for using the equity method	4,028	1,301	(*)
Impairment losses on investments	-	(19)	(100.0)
Profit before tax	**136,966**	**126,815**	**8.0**
Income tax expense	(51,764)	(49,819)	3.9
Profit for the period from continuing operations	**85,202**	**76,996**	**10.7**
Profit from discontinued operations	504	1,220	(58.7)
Net result for the period	**85,706**	**78,216**	**9.6**
attributable to:			
- owners of the Parent	83,711	76,029	10.1
- non-controlling interests	1,995	2,187	(8.8)

(*) Change of more than 100%

(1) The figures are restated to reflect recognition of Aquamet under assets held for sale.

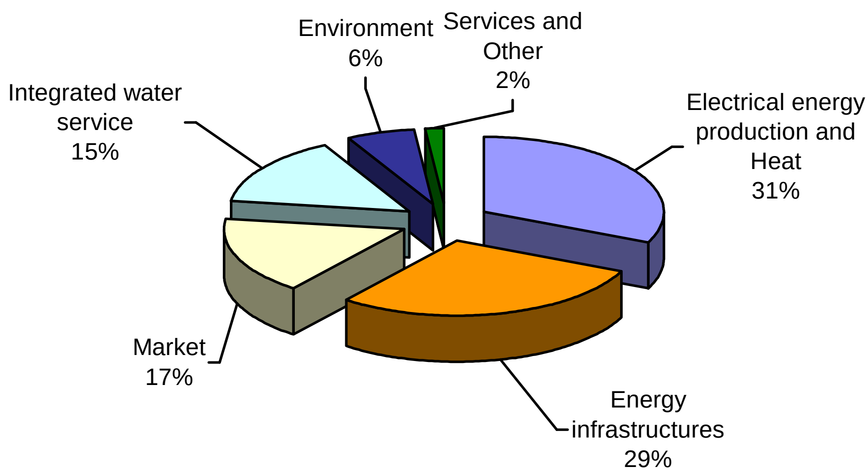
(2) The figures were restated to reflect the adoption of IFRIC 12.

Revenue
In the first three months 2011, the IREN Group achieved a decreasing revenue of EUR 973 million (-3.9%) compared to EUR 1,012 million in the first three months of 2010. This trend is mainly due to the lower quantities of electrical energy sold through the Power Exchange. The composition of revenue by activity sectors is shown in the diagram hereunder.



Gross operating profit
The gross operating profit (EBITDA), equal to EUR 205 million, is slightly increasing (+0.8%), compared to EUR 204 million in the first quarter 2010. The Market segment, especially gas sale, and the Energy Infrastructure segment proved to be growth drivers and allowed to mitigate the decrease in the Generation segment, in particular cogeneration, and the Environmental segment. The composition of revenue by activity sectors is shown in the diagram hereunder.

Breakdown of EBITDA



Operating profit
Operating profit (EBIT) amounted to EUR 148 million and has improved by +2.7% compared to EUR 144 million in the first quarter of 2010. There is furthermore a reduction in allocations to provision for risks of around EUR 2 million, while amortization/depreciation remains in line with the previous year.

Financial income and expense
Financial expense was negative by EUR 14 million. Specifically, financial expense totalled EUR 20 million, slightly down on the 2010 figure; financial income reached EUR 6 million (+70%) and showed higher income for the disposal of financial assets and the measurement of fair value of derivatives. It should be further noted that, comparing the two quarters, the weighted average cost of indebtedness decreased from 2.95% to 2.82%. The results of associated accounted for using the equity method was positive EUR 4 million, up compared to the same period in 2010 thanks to the higher contribution of the Edipower company which, in the first quarter 2010, suffered from the stoppage of some plants.

Profit before tax
As a result of the trends indicated above, the consolidated profit before tax reached EUR 137 million, a 8% increase compared to the first quarter of 2010.

Profit for the period
Net profit was EUR 86 million, up by 10% compared to EUR 78 million of the same period in 2010.

The main economic figures, with relevant comments divided by activity sectors, are shown hereunder.

Generation of electrical energy and heat sales

The turnover of the segment, as at 31 March 2011 amounted to EUR 231 million, up by 1.4% compared to EUR 227 million in the first quarter 2010.

		First quarter 2011	First quarter 2010	Δ %
Revenue	€/mil.	230.5	227.4	1.4%
Gross operating profit	€/mil.	64.9	80.9	-19.8%
Ebitda Margin		*28.2%*	*35.6%*	
Operating profit	€/mil.	49.1	63.3	-22.4%
Investments	€/mil.	34.9	14.4	n.s.
Production of electrical energy	GWh	1,698	1,608	5.6%
Hydroelectric source	*GWh*	141	95	*48.5%*
Thermoelectric source	*GWh*	1,557	1,512	*2.9%*
Production of heat	GWht	1,235	1.344	-8.1%
Co-generative source	*GWht*	978	1,016	*-3.7%*
Non-cogenerative source	*GWht*	258	329	*-21.6%*

As of 31 March 2011, **the production of electrical energy** was 1,698 GWh, up by 5.6% compared to the first quarter 2010 due to the higher hydroelectric production (+48.5%) and higher production in co-generation (+2.9%). In particular, hydroelectric production was around 141 GWh, up compared to the same period in 2010 due to the launch, after repowering, of the new G4 and G1 groups of the plant in Rosone.
Thermoelectric production was around 1,557 GWh, up (+2.9%) compared to the first quarter of 2010, mainly thanks to the higher production of the GT2 plant in Moncalieri.

The production of heat amounted to 1,235 GWht, down compared to the same period of 2010 (-8.1%) due to lower consumption related to higher than average seasonal temperatures (-12% degrees compared to the same period of 2010) and in spite of the higher volumes supplied (+2.9 million cubic metres compared to the first quarter of 2010). The district heating volume exceeded 66 million cubic metres.
The cogenerated heat share was 79%, up compared to the first quarter 2010, when it was equal to 76%.

The **gross operating profit** was around EUR 65 million, down compared to EUR 81 million in the first quarter 2010 (-19.8%).
The decrease in GOP reflects the joint effect of the following factors:

- **+6 million euro in the hydroelectric segment**, for higher volumes produced (+46 GWh), and the higher contribution to green certificates;
- **-6 million euro in the cogeneration segment**, mainly due to lower margins in the production of electrical energy.
- **-16 million euro in the heat segment**, attributable mainly to lower volumes produced (-109 GWht), the lower contribution of green certificates, which were only partially offset by higher margins in the production of heat.

The operating profit (EBIT) was EUR 49 million, down 22.4% compared to the same period of 2010.

Capital expenditure relating to the segment amounted to around EUR 34 million, of which around EUR 28 million refers to cogeneration (relating almost entirely to the Torino Nord project), EUR 4 million to the production of hydroelectricity (repowering of the Valle Orco hydroelectric plants).

Energy infrastructures

As of 31 March 2011, the Energy Networks segment, including distribution of gas, electrical energy and hear businesses, recorded revenues of EUR 106 million, up by 3.6% compared to EUR 103 million in the first three months of 2010.
The gross operating profit amounted to EUR 59 million, a 12.5% increase compared to EUR 53 million recorded in the first quarter of 2010.
The gross operating profit amounted to EUR 44 million, +24.8% compared to EUR 35 million corresponding to 2010.

		First quarter 2011	First quarter 2010	Δ %
Revenue	€/mil.	106.2	102.6	3.6%
Gross operating profit	€/mil.	59.5	52.9	12.5%
Ebitda Margin		*56.0%*	*51.5%*	
Electricity Networks	*€/mil.*	25.3	22.5	*12.1%*
Gas Networks	*€/mil.*	24.2	21.4	*12.9%*
District Heating Networks	*€/mil.*	10.3	9.1	*13.5%*
Regasification Plant	*€/mil.*	-0.2	-0.1	*55.2%*
Operating profit	€/mil.	44.2	35.4	24.8%
Investments	€/mil.	36.5	33.1	10.3%
Electricity Networks	*€/mil.*	3.9	5.9	-32.8%
Gas Networks	*€/mil.*	10.7	9.1	18.6%
District Heating Networks	*€/mil.*	11.3	3.2	n.s.
Regasification Plant	*€/mil.*	10.5	15.0	-29.5%
Electrical energy distributed	GWh	1,090	1,095	-0.5%
Gas distributed	Mmc	955	1,050	-9.0%
Volumes of heat distributed	Mmc	66	63	4.6%

Electricity networks
The gross operating profit amounted to EUR 25 million, an increase compared to EUR 23 million recorded in the first quarter of 2010 (+12.1%).
The margin increase of around EUR 2 million is mainly attributable to the increase in margins. Over the first quarter 2011, investments for around EUR 4 million were made, mainly related to new connections, the replacement of electronic meters and the construction of new HV/HV primary transformation substations.

Gas Distribution Network
The gross operating profit from Gas Network distribution has increased to EUR 24 million (+12.9%) compared to EUR 21 million for the first quarter 2010.
The positive change, compared to the previous year, is attributable to tariff increases, calculated based on the Resolution 206/09 of the AEEG.

Capital expenditure made in the segment amounted to approximately EUR 11 million and mainly involve the 10-year renovation plan of the network through replacement of pipes, pursuant to resolution 168/04 of the AEEG, and the development initiatives for the distribution network and connections in the main areas served by the Group (Genoa, Turin, Reggio Emilia and Parma). Moreover, the replacement of electronic meters has started.

District heating networks

The gross operating profit for the district heating segment was EUR 10 million, up by 13.5% compared to EUR 9 million in the first quarter 2010.
During the quarter, investments were made of approximately EUR 11 million, mainly in regard to the Torino Nord (EUR 6 million) and Nichelino Energia (EUR 3 million).

Regasification plant

The investments in this segment amounted to around EUR 11 million, compared to EUR 15 million over the first quarter 2010.

Integrated water service

As at 31 March 2011, the Integrated water service segment had revenue of EUR 102 million, up by 5.2% compared to EUR 97 million in the first quarter of 2010. The increase in the segment revenue is mainly due to tariff increases resolved by the ATOs (*Agenzie di Ambito territoriale ottimale*) in all the areas managed by the Group

		First quarter 2011	**First quarter 2010**	Δ %
Revenue	€/mil.	102.2	97.1	5.2%
Gross operating profit	€/mil.	31.2	30.1	3.6%
Ebitda Margin		*30.5%*	*31.0%*	
Operating profit	€/mil.	15.4	14.5	6.3%
Investments	€/mil.	14.9	15.1	-1.2%
Water sold	Mmc	46	48	-4.1%

Gross operating profit amounted to EUR 31 million, up by 3.6% compared to the first quarter of 2010. The increase is mainly due to tariff increases, which offset the effects of lower quantities of water sold (-4.1%).
Operating profit is EUR 15 million, up by 6.3% compared to EUR 14 million in the first quarter of 2010. Amortisation/depreciation for the period is in line with figures recorded in 2010.
Capital expenditure made in the integrated water service segment amounted to around EUR 15 million and mainly refer to the construction of infrastructures provided for by the ATOs for the development of the water distribution network, the sewerage network and water treatment plants.

Market

The turnover in the Market segment amounted to EUR 907 million, down by 4.9% compared to EUR 953 million in the corresponding 2010 period.
A summary of the economic results by business segment is shown hereunder:

		First quarter 2011	**First quarter 2010**	Δ %
Revenue	€/mil.	906.6	953.4	-4.9%
Gross operating profit	€/mil.	33.9	23.9	42.0%
Ebitda Margin		*3.7%*	*2.5%*	
Electrical energy	*€/mil.*	-0.7	2.3	n.s.
Gas	*€/mil.*	30.2	15.7	92.5%
Heat	*€/mil.*	4.4	5.9	*-24.9%*
Operating profit	€/mil.	30.7	21.2	*44.5%*
Investments	€/mil.	1.0	1.5	*-29.1%*
Electrical energy sold	GWh	3,536	4,095	-13.7%
Electrical energy sold, net of energy sold and purchased on the Power Exchange	GWh	2,633	2,996	-12.1%
Gas purchased	Mmc	1,164	1,321	-11.9%
Gas marketed by the Group	Mmc	722	866	-16.6%
Gas for internal use	Mmc	442	455	-2.9%

Sale of natural gas
Total volumes of natural gas procured in the first quarter of 2011 were approximately 1,164 million cubic meters (around 1,321 million cubic metres for the same period of 2010) referring to gas sold to customers outside the Group, and the cubic meters used within the Group for both the production of electrical energy and the provision of heating services.
The lower volumes sold, compared to 2010 (-157 million cubic metres) are mainly attributable to unfavourable weather conditions, partially offset by the effect of the marketing campaign which mitigated the natural erosion resulting from the liberalisation of the markets traditionally served.

The gross operating profit, equal to EUR 30 million, has improved compared to the EUR 16 million of the first quarter 2010, mainly due to the effects deriving from the renegotiation of procurement conditions.

Sale of electrical energy
Total volumes sold on the free market amounted to 3,536 GWh, compared to 4,095 GWh of the first quarter 2010 (-13.7%). The decrease in quantities sold is mainly attributable to a reduction in volumes sold on the Power Exchange.
In the first quarter 2011, the electrical energy availability from production inside the Iren Group, (Iren Energia and Tirreno Power), amounted to 1,753 GWh (compared to 1,691 GWh of 2010), while the volumes used in the production of electrical energy for tolling contracts with Edipower amounted to 421 GWh (433 GWh in 2010).
Volumes sold to end customers and wholesalers amount to 2,257 GWh versus the 2,150 of 2010; gross sales on the power exchange amount to 1,279 GWh versus the 1,945 of 2010, and the remaining part of sold volumes mainly refers to infragroup transactions and distribution losses.

The gross operating profit from the sale of electrical energy amounted to EUR - 1 million, around EUR 3 million decrease compared to the first quarter of 2010. This reduction is mainly affected by the lower CIP 6 contributions and lower margins related to the management of the MSD segment. The positive margins on the Power Exchange, following the slight recovery of markets, were partly absorbed by sales to end customers, penalized by the strong influence of fixed-price offers.

Market development

During the first quarter of 2011, customer loyalty schemes and enlargement activities of the reference market were carried on.

As already recorded during 2010, in the first quarter of 2011 as well, the general market highlighted a continuous increase in the competitors' activities and a progressive alignment in the dual fuel proposal. A further enlargement of its sales channels was therefore necessary ("door-to-door" sale agencies, call centres for telemarketing and teleselling).

The activities implemented allowed to limit the increasing pressure of competitors, resulting in an increased number of customers served also in the first quarter of 2011.

Sale of heat through district heating network

The gross operating profit amounted to EUR 4 million, compared to EUR 6 million of the corresponding period of 2010.

Environment

			First quarter 2011	First quarter 2010	Δ %
Revenue		€/mil.	52.6	56.8	-7.2%
Gross operating profit		€/mil.	12.2	14.7	-17.0%
Ebitda Margin			*23.2%*	*26.0%*	
Operating profit		€/mil.	5.9	9.1	-35.0%
Investments		€/mil.	20.5	2.6	n.s.
Treated waste		ton	242,341	234,667	3.3%
	Urban waste	ton	182,392	186,928	-2.4%
	Special waste	ton	59,949	47,739	25.6%

The turnover of the segment totalled EUR 53 million, compared to EUR 57 million of the corresponding period of 2010 (-7.2%). The decreased revenue is attributable to the end of the Cip 6 incentive and the lack in electrical energy production due to an extraordinary maintenance on the turbine, as well as the decrease in revenue of other services such as maintenance of parks and snow removal.

The gross operating margin for the segment amounted to EUR 12 million, 17% decrease compared to EUR 15 million of the first quarter of 2010. The reduced margin is due, as already mentioned, to the end of the Cip 6 incentive on the WTE Tecnoborgo (PC), as well as to the lower production in electrical energy.
Investments amounted to EUR 20.5 million and mainly refer to Polo Ambientale Integrato (PAI) of Parma (EUR 18.9 million), as well as to the increase in potential production of biogas from the damp in Poiatica and equipment and vehicles for waste collection. The remarkable increase, compared to the same period of 2010, is mainly due to the work in progress related to PAI (EUR +17.6 million).

Other services

Revenue totalled EUR 33 million, up by 16.2% compared to EUR 29 million recorded in the first quarter of 2010.
The gross operating margin, equal to EUR 3.6 million, increased compared to the same period of the previous year for upgrading in the Telecommunication segment and other minor changes.

		First quarter 2011	First quarter 2010	Δ %
Revenue	€/mil.	33.4	28.7	16.2%
Gross operating profit	€/mil.	3.6	1.2	n.s.
Ebitda Margin		*10.9%*	*4.3%*	
Operating profit	€/mil.	2.2	0.1	n.s.
Investments	€/mil.	3.0	4.5	-34.6%

BALANCE SHEET

RECLASSIFIED STATEMENT OF FINANCIAL POSITION OF THE IREN GROUP

thousands of Euro

	31.03.2011	31.12.2010	Changes %
Non-current assets	4,629,216	4,566,148	1.4
Other non-current assets (liabilities)	(122,798)	(118,920)	3.3
Net working capital	270,378	137,040	97.3
Deferred tax assets (liabilities)	23,507	27,241	(13.7)
Provisions and employee benefits	(327,061)	(325,267)	0.6
Assets (Liabilities) held for sale	55,160	55,528	(0.7)
Net invested capital	**4,528,402**	**4,341,770**	**4.3**
Equity	2,178,184	2,081,620	4.6
Long-term financial assets	*(85,843)*	*(88,388)*	*(2.9)*
Medium and long-term financial indebtedness	*1,840,859*	*1,829,263*	*0.6*
Medium and long-term net financial indebtedness	1,755,016	1,740,875	0.8
Short-term financial assets	*(447,464)*	*(521,828)*	*(14.3)*
Short-term financial indebtedness	*1,042,666*	*1,041,103*	*0.2*
Short-term net financial indebtedness	595,202	519,275	14.6
Net financial indebtedness	2,350,218	2,260,150	4.0
Own funds and net financial indebtedness	**4,528,402**	**4,341,770**	**4.3**

The main dynamics affecting the statement of financial position in the first quarter 2011 are described hereunder.

The increase in **non-current assets** reflects the increased investments with particular reference to: *production of electricity* with the Torino Nord project of EUR 28 million, the *energy infrastructures* (gas networks of EUR 11 million, district heating networks of EUR 11 million and electricity networks of EUR 4 million and OLT project of EUR 11 million), the *integrated water cycle* of EUR 15 million, and the *environment* of EUR 21 million.

The increase in the **net working capital** has been affected by the seasonal dynamics of the trade payables and receivables and the tax items.

Assets held for sale remain substantially unchanged compared to 31 December 2010 and mainly refer to net assets of the subsidiary Aquamet, the same of which will be concluded by June 2011, and the investment in the associate Astea.

The increase in **equity** is mainly the result of the profit for the period and the change in fair value of the hedging derivative contracts.

The higher **net financial indebtedness** is the result of outflows for investments and dividends paid. The statement of cash flows, which is presented below, provides a breakdown of the movements in the first quarter of 2011.

CASH FLOW FIGURES

STATEMENT OF CASH FLOWS FOR THE IREN GROUP

thousands of Euro

	First quarter 2011	First quarter 2010 proforma (1)	Changes %
A. Opening cash and cash equivalents	**144,112**	**56,905**	**(*)**
Cash flow from operating activities			
Profit for the period	85,706	78,216	9.6
Adjustments:			
Amortisation of intangible assets and depreciation of property, plant and equipment and investment property	48,567	48,483	0.2
Net change in post-employment benefits and other employee benefits	(232)	(1,617)	(85.7)
Net change in the provision for risks and other charges	5,379	6,729	(20.1)
Loss from the sale of discontinued operations net of tax effects	(504)	(1,220)	(58.7)
Change in deferred tax assets (liabilities)	(1,702)	(7,139)	(76.2)
Variation in non-current assets (liabilities)	3,878	2,723	42.4
Portion of loss of associates	(4,028)	(1,301)	(*)
Net impairment losses (reversals of impairment losses) on investments	-	19	(100.0)
B. Cash flow operating activities before variations in NWC	**137,064**	**124,893**	**9.7**
Variation in inventories	(1,149)	43	(*)
Variation in trade receivables	(129,329)	(278,524)	(53.6)
Variation in tax assets and other current assets	(44,435)	2,328	(*)
Variation in trade payables	(50,076)	(18,112)	(*)
Variation in tax liabilities and other current liabilities	91,651	116,748	(21.5)
C. Cash flows from variations in NWC	**(133,338)**	**(177,517)**	**(24.9)**
D. Cash flows from operations (B+C)	**3,726**	**(52,624)**	**(*)**
Cash flows from (used in) investing activities			
Investments in intangible assets and property, plant and equipment and investment property	(111,901)	(72,974)	53.3
Investments in financial assets	-	(23)	(100.0)
Proceeds from the sale of investments, changes in consolidation scope and assets held for sale	1,809	21,703	(91,7)
E. Total cash flows from financing activities	**(110,092)**	**(51,294)**	**(*)**
D. Free cash flows (D+E)	**(106,366)**	**(103,918)**	**2,4**
Cash flows from financing activities			
Other changes in equity	(374)	543	(*)
Variation in financial receivables	8,380	11,108	(24.6)
Variation in financial payables	29,831	85,037	(64.9)
G. Total cash flows from financing activities	**37,837**	**96,688**	**(60.9)**
H. Cash flows for the period (F+G)	**(68,529)**	**(7,230)**	**(*)**
I. Closing cash and cash equivalents (A+H)	**75,583**	**49,675**	**52.2**

(*) Change of more than 100%

(1) The figures are restated to reflect recognition of Aquamet under assets held for sale.

As at 31 March 2011, net financial indebtedness amounted to EUR 2,350 million, up by EUR 90 million compared to 31 December 2010, due to a negative free cash flow of EUR 106 million, the changes in equity and fair value of hedging derivatives, which were positive by EUR 16 million.
Free cash flow, negative for EUR 106 million, derives from the combined effect of the following cash flows:
- cash flows from operations were positive by EUR 4 million, an increase of EUR 56 million compared to the first proforma quarter off 2010, mainly due to the lower resource absorption as per net working capital.
- cash flows used in investing activities, negative by EUR 110 million, generated from EUR 112 million investments in intangible assets, property, plant and equipment (including investments made for the building of infrastructures under concession, pursuant to IFRIC 12) and EUR 2 million investment property.

The following table shows the breakdown of consolidated net financial indebtedness for the relevant periods.

thousands of Euro

	First quarter 2011	First quarter 2010 proforma	Changes %
Free cash flow	(106,366)	(103,918)	2.4
Other changes in equity	(374)	543	(*)
Change in fair value of hedging derivatives	16,672	(11,279)	(*)
Change in net financial position	**(90,068)**	**(114,654)**	**(21.4)**

(*) Change of more than 100%

SIGNIFICANT EVENTS AFTER THE END OF THE QUARTER AND FORECASTED DEVELOPMENTS

SUBSEQUENT EVENTS

Distribution of dividends
The Shareholders' Meeting held on 6 May 2011, approved the 2010 financial statements and resolved to distribute a total unit dividend, equal to EUR 0.085 (including an extraordinary unit dividend of EUR 0.0086, payable from the Extraordinary Reserve), for the 1,181,725,677 ordinary shares and the 94,500,000 savings shares, to be paid in one single tranche, starting from 26 May 2011.

BUSINESS OUTLOOK

In the first quarter 2011, the Group operated being fully aware of uncertainties and risks which are connected not only to the general market conditions and their impact on economy, but also to price trends of fuels and possible changes in the legislative framework of its business segments.
IREN's expectations are a further growth resulting from its position with respect to competitors, and its actions undertaken under the business plan started at end December 2010, as well as from investments made and the progressive achievement of synergies from the merger.
During the first quarter 2011, the investments scheduled in the IREN Group business plan continued, amongst which the following are worth mentioning: the new 390 MW cogeneration plant of the North Western area of Turin, the Livorno regasification off-shore terminal and the Parma waste to energy plant,

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2011

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

thousands of Euro

	31.03.2011	31.12.2010
ASSETS		
Property, plant and equipment	2,692,325	2,642,531
Investment property	2,676	2,687
Intangible assets with a definite useful life	1,179,103	1,168,458
Goodwill	132,117	132,117
Investments accounted for using the equity method	326,749	324,106
Other investments	296,246	296,249
Non-current financial assets	85,843	88,388
Other non-current assets	24,864	29,463
Deferred tax assets	132,629	134,046
Total non-current assets	**4,872,552**	**4,818,045**
Inventories	46,376	45,227
Trade receivables	1,244,564	1,115,235
Current tax assets	7,835	5,755
Other receivables and other current assets	251,858	209,504
Current financial assets	371,881	377,281
Cash and cash equivalents	75,583	144,548
Total current assets	**1,998,097**	**1,897,550**
Assets held for sale	81,737	77,857
TOTAL ASSETS	**6,952,386**	**6,793,452**

thousands of Euro

	31.03.2011	31.12.2010
EQUITY		
Equity attributable to owners of the Parent		
Share capital	1,276,226	1,276,226
Reserves and retained earnings	586,455	432,700
Profit for the period	83,711	143,104
Total equity attributable to owners of the Parent	**1,946,392**	**1,852,030**
Non-controlling interests	231,792	229,590
TOTAL EQUITY	**2,178,184**	**2,081,620**
LIABILITIES		
Non-current financial liabilities	1,840,859	1,829,263
Employee benefits	94,095	94,327
Provisions for risks and charges	196,656	195,133
Deferred tax liabilities	109,122	106,806
Other payables and other non-current liabilities	147,662	148,383
Total non-current liabilities	**2,388,394**	**2,373,912**
Current financial liabilities	1,042,666	1,041,103
Trade payables	905,600	955,677
Other payables and other current liabilities	306,697	270,444
Current tax assets	67,958	12,560
Provisions for risks and charges – current portion	36,310	35,807
Total current liabilities	**2,359,231**	**2,315,591**
Liabilities related to assets held for sale	26,577	22,329
TOTAL LIABILITIES	**4,774,202**	**4,711,832**
TOTAL EQUITY AND LIABILITIES	**6,952,386**	**6,793,452**

CONSOLIDATED INCOME STATEMENT

thousands of Euro

	First quarter 2011	First quarter 2010 (1) (2)
Revenue		
Revenue from goods and services	920,727	624,661
Change in contract work in progress	620	906
Other revenue and income	51,287	56,980
Total revenue	**972,634**	**682,547**
Operating expense		
Purchase of raw materials, consumables, supplies and goods	(484,474)	(377,641)
Services and use of third-party assets	(206,613)	(122,226)
Other operating expense	(16,560)	(17,091)
Capitalised expenses for internal work	6,111	3,430
Personnel expense	(65,704)	(35,433)
Total operating expense	**(767,240)**	**(548,961)**
Gross Operating Profit (EBITDA)	**205,394**	**133,586**
Amortisation, depreciation, provisions and impairment losses		
Amortisation/depreciation	(48,567)	(29,164)
Provisions and impairment losses	(9,312)	(6,683)
Total amortisation, depreciation, provisions and impairment losses	**(57,879)**	**(35,847)**
Operating Profit (EBIT)	**147,515**	**97,739**
Financial incomee		
Financial income	5,701	2,731
Financial expense	(20,278)	(14,899)
Net financial expense	**(14,577)**	**(12,168)**
Share of profit of associates accounted for using the equity method	4,028	2,675
Impairment losses on investments	-	(19)
Profit before tax	**136,966**	**88,227**
Income tax expense	(51,764)	(34,246)
Profit for the period from continuing operations	**85,202**	**53,981**
Profit from discontinued operations	504	1,220
Profit for the period	**85,706**	**55,201**
attributable to:		
- owners of the Parent	83,711	53,446
- non-controlling interests	1,995	1,755

(1) The figures are restated to reflect recognition of Aquamet under assets held for sale.

(2) The figures were restated to reflect the adoption of IFRIC 12.

OTHER COMPREHENSIVE INCOME

thousands of Euro

	First quarter 2011	First quarter 2010
Profit for the period - Owners of the Parent Company and non-controlling interests (A)	**85,706**	**55,201**
Other comprehensive income		
- effective portion of changes in fair value of cash flow hedges	16,672	(11,046)
- change in fair value of available-for-sale financial assets	(497)	-
- share of other losses of companies accounted for using the equity method	(4)	823
Tax effect of other comprehensive income	(5,263)	3,549
Total other comprehensive loss for the period, net of tax effect (B)	**10,908**	**(6,674)**
Total comprehensive income for the period (A)+(B)	**96,614**	**48,527**
attributable to:		
- owners of the Parent	94,498	46,772
- non-controlling interests	2,116	1,755

CONSOLIDATED CASH FLOW STATEMENT

thousands of Euro

	First quarter 2011	First quarter 2010 (1)
A. Opening cash and cash equivalents	**144,112**	**40,373**
Cash flow from operating activities		
Profit for the period	85,706	55,201
Adjustments:		
Amortisation of intangible assets and depreciation of property, plant and equipment and investment property	48,567	29,164
Net change in post-employment benefits and other employee benefits	(232)	(1,388)
Net change in the provision for risks and other charges	5,379	2,941
Loss from the sale of discontinued operations net of tax effects	(504)	(1,220)
Change in deferred tax assets (liabilities)	(1,702)	18,646
Variation in non-current assets (liabilities)	3,878	2,683
Portion of loss of associates	(4,028)	(2,675)
Net impairment losses (reversals of impairment losses) on investments	-	19
B. Cash flow operating activities before variations in NWC	**137,064**	**103,371**
Variation in inventories	(1,149)	222
Variation in trade receivables	(129,329)	(131,667)
Variation in tax assets and other current assets	(44,435)	(4,409)
Variation in trade payables	(50,076)	(36,287)
Variation in tax liabilities and other current liabilities	91,651	28,326
C. Cash flows from variations in NWC	**(133,338)**	**(143,815)**
D. Cash flows from operations (B+C)	**3,726**	**(40,444)**
Cash flows from (used in) investing activities		
Investments in intangible assets and property, plant and equipment and investment property	(111,901)	(55,668)
Investments in financial assets	-	(23)
Proceeds from the sale of investments, changes in consolidation scope and assets held for sale	1,809	21,984
Other variations in financial assets	-	(822)
E. Total cash flows from financing activities	**(110,092)**	**(34,529)**
D. Free cash flows (D+E)	**(106,366)**	**(74,973)**
Cash flows from financing activities		
Other changes in equity	(374)	(6,131)
Variation in financial receivables	8,380	11,398
Variation in financial payables	29,831	64,610
G. Total cash flows from financing activities	**37,837**	**69,877**
H. Cash flows for the period (F+G)	**(68,529)**	**(5,096)**
I. Closing cash and cash equivalents (A+H)	**75,583**	**35,277**

(1) The figures are restated to reflect recognition of Aquamet under assets held for sale.

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

	Share capital	Share premium reserve	Legal reserve
31/12/2009	**832,042**	**105,102**	**20,258**
Allocation of profit			
Other variations			
Comprehensive loss for the period			
of which:			
- Profit for the period			
- Other comprehensive income			
31/03/2010	**832,042**	**105,102**	**20,258**
31/12/2010	**1,276,226**	**105,102**	**23,862**
Allocation of profit			
Variation in interests			
Other variations			
Comprehensive loss for the period			
of which:			
- Profit for the period			
- Other comprehensive income			
31/03/2011	**1,276,226**	**105,102**	**23,862**

thousands of Euro

Hedging reserve	Available for sale reserve	Other reserves and retained earnings (losses carried forward)	Total reserves and retained earnings (losses carried forward)	Profit for the period	Equity attributable to owners of the Parent	Equity attributable to non-controlling interests	Equity attributable to owners of the Parent and non-controlling interests
(15,074)	**-**	**302,659**	**412,945**	**6,397**	**1,251,384**	**135,219**	**1,386,603**
		6,397	6,397	(6,397)	-		-
		668	668		668	(126)	542
(6,674)			(6,674)	53,446	46,772	1,755	48,527
				53,446	53,446	1,755	55,201
(6,674)	-		(6,674)		(6,674)		(6,674)
(21,748)	**-**	**309,724**	**413,336**	**53,446**	**1,298,824**	**136,848**	**1,435,672**
(17,029)	**(8,119)**	**328,884**	**432,700**	**143,104**	**1,852,030**	**229,590**	**2,081,620**
		143,104	143,104	(143,104)	-		-
		(87)				87	
		(49)	(49)		(49)	(1)	(50)
11,115	(328)		10,787	83,711	94,498	2,116	96,614
				83,711	83,711	1,995	85,706
11,115	(328)		10,787		10,787	121	10,908
(5,914)	**(8,447)**	**471,852**	**586,455**	**83,711**	**1,946,392**	**231,792**	**2,178,184**

STATEMENT OF THE MANAGER IN CHARGE OF FINANCIAL REPORTING, PURSUANT TO THE PROVISIONS OF ART. 154-BIS, PARAGRAPH 2, OF LEGISLATIVE DECREE 58/1988 (CONSOLIDATED FINANCE ACT)

The undersigned manager in charge of financial reporting of IREN S.p.A., Mr. Massimo Levrino, hereby declares, pursuant to paragraph 2 of article 154 bis of the Consolidated Finance Act that the Interim Report on Operations as at 31 March 2011 corresponds to the accounting documents, records and books.

13 May 2011

IREN S.p.A.
The Administrative and Finance Manager
and Manager in charge of financial
reporting as per Law 262/05

Mr. Massimo Levrino